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This Listing Statement is compiled by the Exchange from documents filed by the Company in making application for listing. It is issued for the information of members, member firms and member corporations of the Exchange. It is not and is not to be construed as a prospectus. The Exchange has received no consideration in connection with the issue of this Listing Statement other than the customary listing fee. The documents referred to above are open for inspection at the general office of the Exchange.

LISTING STATEMENT No. 2398

LISTED OCTOBER 3, 1969
34,560,000 shares without par value of which 4,173,993 have been repurchased for the treasury of the company.
Stock Symbol "TXG"
Post Section 6.6
Dial Quotation No. 2303

THE TORONTO STOCK EXCHANGE

LISTING STATEMENT

TEXAS GULF SULPHUR COMPANY

Incorporated under the laws of the State of Texas, U.S.A. on December 23, 1909

CAPITAL STOCK WITHOUT NOMINAL OR PAR VALUE
(Transferable in Toronto, Ontario and New York, New York)

CAPITALIZATION AS AT APRIL 1, 1969

SHARE CAPITAL	AUTHORIZED	ISSUED AND OUTSTANDING	TO BE LISTED
Capital Stock without nominal or par value	45,000,000	30,386,007	34,560,000(1)
FUNDED DEBT			
Term Notes due 1973		$70,000,000(2)	NIL
4.70% Notes due 1989		$55,000,000	NIL
Euro-dollar Note		$ 500,000	NIL

(1) Including 4,173,993 shares of Capital stock without nominal or par value previously issued but repurchased by the Company and held in its treasury. Of these shares 232,800 were reserved for issuance pursuant to the Company's Stock Option Incentive Plan.

(2) Unless otherwise noted, all dollars referred to herein are U.S. dollars.

September 2, 1969

1. APPLICATION

TEXAS GULF SULPHUR COMPANY (hereinafter called the "Company") hereby makes application for the listing on The Toronto Stock Exchange of 34,560,000 shares of its capital stock without nominal or par value of which 30,386,007 shares were issued and outstanding as fully paid and non-assessable as at April 1, 1969. The remaining 4,173,993 shares of the capital stock of the Company included in this application were previously issued but were repurchased by the Company and are held in its treasury. Of these shares 232,800 have been reserved for issuance pursuant to the Company's Stock Option Incentive Plan.

2. HISTORY AND BUSINESS

The Company was incorporated as Gulf Sulphur Company in 1909 and changed its name to Texas Gulf Sulphur Company in 1918. For further details see Paragraph 3, below.

The only significant business of the Company during its first fifty years was the production in the United States of America of sulphur by the Frasch process and the sale of sulphur in world markets, but its various divisions are now operating in the fields of Frasch sulphur, the recovery of sulphur from sour natural gas, metals, potash fertilizers, phosphate fertilizers, forest products, oil and gas, and exploration. A general statement of current operations appears in the annual report for 1968, and a summary of the Company's history and business is set forth below.

A. FRASCH SULPHUR DIVISION

All six of the Frasch mines which the Company has opened in the states of Texas and Louisiana are presently in production, including its oldest, the "Gulf" mine, which was reopened with a new plant in 1965:

FRASCH DIVISION MINES

PLANT AND LOCATION	DATE OF FIRST PRODUCTION	PRODUCTION DURING 1968 (LONG TONS)
TEXAS		
Gulf	3-19-19	119,905
Boling	3-19-29	1,371,183
Moss Bluff	6-24-48	339,551
Spindletop	5-12-52	597,389
Fannett	5-1-58	96,310
LOUISIANA		
Bully Camp	5-30-68	167,787

The Company has a 50 per cent interest in the net profits from the production of Frasch sulphur from Long Point Dome in Texas, currently being mined by a subsidiary of Occidental Petroleum Company. This mine was operated by Texas Gulf from 1930 to 1938.

In addition, the Company owns 34 per cent of a Mexican affiliate, Compania Exploradora del Istmo ("CEDI"), and supplies technical assistance in connection with the operation of CEDI's Nopalapa Mine on the Isthmus of Tehuantepec in Mexico. This mine, which was first opened in 1957, was reopened late in 1967 and produced a total of 113,693 long tons in 1968. CEDI is now developing a larger Frasch mine at Texistepec, which is also on the Isthmus of Tehuantepec.

B. GAS DIVISION

The Company pioneered in the recovery of sulphur from sour natural gas at its Worland, Wyoming, plant which was opened in 1950 and was closed in 1967 because of depleted gas reserves after it had produced over 1,000,000 long tons of sulphur. Meanwhile, the two plants noted in the table below were opened in the Province of Alberta, Canada. The Company owns 37½ per cent of the Okotoks plant and a like interest in its production; it owns the entire West Whitecourt Sulphur plant and approximately 85 per cent of its production. During 1968 and 1969 an addition to the West Whitecourt Sulphur plant was constructed to increase its design capacity from approximately 1300 long tons per day to the present 1875 long tons per day.

GAS DIVISION SULPHUR RECOVERY PLANTS

PLANT	DATE OF FIRST PRODUCTION	PRODUCTION DURING 1968 (LONG TONS)
Okotoks	5-31-59	130,403
West Whitecourt	4-14-62	367,400

The Company will participate with Shell Canada Limited and others in a new gas processing and sulphur recovery plant in the Burnt Timber area of Alberta. Sulphur production is expected to be about 200 long tons per day, although it will be somewhat less when the plant first goes on stream, scheduled for 1970. Texas Gulf's interest is approximately 20 per cent.

C. METALS DIVISION

The Company, through a wholly owned subsidiary, Ecstall Mining Limited, owns and operates the Kidd Creek Mine near Timmins, Ontario, discovered by the Company after extensive geological and geophysical work in various parts of the Canadian Shield. Development work started at this major zinc-copper-silver mine in 1964 after the announcement of its discovery in April of that year. The concentrator for the Mine, which started milling ore on November 16, 1966, currently processes about 10,000 tons of ore per day. In 1968, the first year of operations at full capacity, production was as follows:

Ore mined and milled	3,600,000 tons
52% zinc concentrates	562,400 tons
23% copper concentrates	205,400 tons
Lead concentrates	96,000 tons
Silver in concentrates	13,396,000 ounces

In April, 1969, the Company announced that Ecstall Mining Limited would build and operate an electrolytic zinc plant and a sulphuric acid plant near the present concentrator. The plants will be designed to process about half of the zinc concentrates produced from the Kidd Creek Mine, with provisions for expansion in the future.

D. POTASH DIVISION

The first major diversification of the Company was into the potash field in 1960. In December of that year, the Company acquired from Delhi-Taylor Oil Corporation its interest in an 11,400-acre potash reserve known to exist at Cane Creek near the town of Moab, in the State of Utah. Following predevelopment studies, the Company sunk a shaft at Cane Creek and constructed surface processing facilities which went on stream in December 1964. During 1968 nearly 410,000 tons of potash were produced.

On April 3, 1969, the Company acquired from Homestake Mining Company all of the outstanding shares of Homestake Potash Company (now Texas Gulf Potash Company) which owns a 40 per cent interest in the Allan Potash Mines near Saskatoon, Saskatchewan, Canada. Allan Potash Mines, which began production during 1968, has two shafts and surface processing facilities with a designed annual production capacity of 1.5 million tons of potash. U.S. Borax & Chemical Corp. also owns 40 per cent of Allan Potash Mines and Swift Canadian Co., Limited, owns the remaining 20 per cent.

E. TRONA PROJECT

Mine shaft construction at the Company's Black's Fork Trona Project in southwestern Wyoming reached the upper trona bed in June, 1969, and a station has been cut at the 1370-foot level. After successful test mining of trona, surface processing facilities will be designed for the conversion of trona into soda ash, a basic raw material of the glass, chemical, and other industries. This is presently a project of the Potash Division.

F. PHOSPHATE DIVISION

At its Lee Creek Mine and Fertilizer Materials facility near Aurora, North Carolina, the Company has been mining phosphate ore since 1966. The facility is designed for mining at the rate of three million tons per year. During 1968 the following products were produced for sale:

Phosphate Rock	805,872 tons
54% Phosphoric Acid	443,550 tons
70% Superphosphoric Acid	62,800 tons
Triple Superphosphate	225,700 tons
Diammonium Phosphate	183,350 tons

Present plans call for the expansion of the superphosphoric acid plant in the near future, and the entire complex has been designed to facilitate expansion by the construction of new units alongside present installations.

G. ARMSTRONG FOREST DIVISION

In 1966, through the acquisition of Armstrong Forest Company, the Company obtained 140,000 acres of woodland in Pennsylvania. The Armstrong Forest Division now continues the business of the liquidated subsidiary, producing cherry veneer logs, hard and soft maple furniture logs, hard maple bowling pin stock, red and white oak for furniture, flooring and veneer, ash baseball bat stock, and pulpwood.

H. OIL AND GAS

Both the Frasch Sulphur Division and the Gas Division produce oil and gas, and the Armstrong Forest Division earns a small royalty income from oil and gas production on its property. During 1968 the Company produced 289 thousand barrels of oil and 10 thousand MMCF of gas.

I. EXPLORATION

The Company's exploration activities, which in early years were confined to seeking out Frasch sulphur reserves on the Gulf Coast, have now expanded to encompass a worldwide search for sulphur, other non-metallic minerals, oil, gas, and metals. Exploration in Canada began in the 1930s, with the acquisition of property on the Ecstall River in British Columbia. The Company still owns this property, on which there is a pyrite deposit with copper and zinc mineralization.

The headquarters of the Exploration Division is in Toronto, with regional offices in Houston, Texas; Calgary, Alberta; and Tuscon, Arizona; and district offices in Vancouver, British Columbia; Carlsbad, New Mexico; and Mexico City, Mexico.

Current projects include exploration for base metals and sulphur in Mexico, the United States, and Canada, for oil and gas in the Gulf of Alaska and the Gulf of Mexico, and for uranium in Canada and in the United States, as well as exploration in Africa for oil, gas and sulphur and in Western Australia for metals including copper, zinc, silver and uranium.

3. INCORPORATION AND CHANGES IN CAPITALIZATION

The Company was incorporated under the laws of the State of Texas, U.S.A. with the name Gulf Sulphur Company on December 23, 1909, with an authorized capital of 25,000 shares of capital stock with a par value of $10.00 each. By an amendment to the Charter dated July 22, 1918, the name of the Company was changed to Texas Gulf Sulphur Company. The Articles of Incorporation of the Company were restated on April 24, 1964, pursuant to the Texas Business Corporation Act.

A summary of the changes in the Company's capitalization follows:

DATE	CHANGE
July 22, 1918	Increased authorized capital to $750,000
November 19, 1918	Increased authorized capital to $3,000,000
April 1, 1919	Increased authorized capital to $5,000,000
November 29, 1919	Increased authorized capital to $7,600,000
August 26, 1920	Decreased authorized capital to $6,350,000
September 22, 1926	Converted the 635,000 authorized shares of capital stock with a par value of $10.00 each into 2,540,000 shares of capital stock without nominal or par value.
October 12, 1934	Increased authorized capital to 3,840,000 shares without nominal or par value.
December 20, 1954	Increased authorized capital to 11,520,000 shares without nominal or par value.
April 30, 1963	Increased authorized capital to 15,000,000 shares without nominal or par value.
May 6, 1968	Increased authorized capital to 45,000,000 shares without nominal or par value.

As a result of the above amendments the Company's authorized capital now consists of 45,000,000 shares of capital stock without nominal or par value.

4. SHARES ISSUED DURING PAST TEN YEARS

The only shares of capital stock issued by the Company in the past ten years were 23,040,000 shares issued on May 6, 1968, as a result of a 3 for 1 stock split.

Since 1964, a number of stock options have been exercised by employees of the Company, resulting in the sale of shares from the Company's treasury. Such shares were shares that had been previously issued but had been repurchased by the Company. Particulars of the Company's Stock Option Incentive Plan are set out in Article 10 hereof. The following is a summary of the shares sold from the Company's treasury upon the exercise of stock options.

YEAR	NUMBER OF SHARES SOLD*	RANGE OF OPTION PRICE PER SHARE*	EXCESS OF PROCEEDS OVER COSTS OF SHARES SOLD FROM TREASURY
1964	14,100	$8 1/6	$ 28,984
1965	66,960	7 15/16 - 8 1/6	136,457
1966	42,600	7 15/16 - 8 1/6	87,031
1967	129,555	7 15/16 - 8 1/6	245,214
1968	92,505	7 15/16 - 25 7/8	370,806
1969 (to April 1)	18,990**	7 15/16	34,683**

*Adjusted to reflect 3 for 1 stock split May 6, 1968

**These figures exclude 12,900 shares with an aggregate exercise price of $102,393.75 the option for which was exercised in February, 1969, but which shares have not yet been issued. See Article 10 entitled "Options" for further particulars.

5. STOCK PROVISIONS AND VOTING POWERS

All issued and outstanding shares of the capital stock of the Company have equal dividend, voting and liquidation rights. Each such share is entitled to one vote at all meetings of the shareholders. Shareholders are entitled to receive dividends when and as declared out of funds legally available therefor subject to certain provisions contained in the agreements relating to the Term Notes due 1973, and the 4.70% Notes due 1989, which provisions restrict payment of cash dividends in certain instances as set out in Article 9 hereof entitled Funded Debt.

6. DIVIDEND RECORD

Over the past ten years the Company has paid dividends on a quarterly basis on its outstanding capital stock. The amount of the dividends paid on an annual basis in each of the past ten years is as follows:

YEAR	AGGREGATE DIVIDENDS PER SHARE PAID*	TOTAL AMOUNT
1959	0.33⅓	$10,020,000
1960	0.33⅓	10,020,000
1961	0.33⅓	10,020,000
1962	0.18⅓	5,511,000
1963	0.13⅓	4,006,240
1964	0.13⅓	4,005,210
1965	0.13⅓	4,007,452
1966	0.13⅓	4,017,418
1967	0.13⅓	4,029,974
1968	0.33⅓	10,110,497
1969 (to April 1)	0.10	3,038,660

*Adjusted to reflect 3 for 1 stock split at May 6, 1968

7. RECORD OF PROPERTIES

The principal properties of the Company and its subsidiaries are interests in minerals in the ground, some property being owned in fee, some under lease with mineral rights, and some under other arrangements. The Company also owns mining, milling, and processing facilities for the extraction and treatment of minerals, and transportation and distribution facilities. In addition, the Company has about 140,000 acres of timberland in Pennsylvania and about 115,000 acres of land in Ontario.

A. FRASCH SULPHUR DIVISION

The Company owns five Frasch sulphur mines in Texas and one in Louisiana.

The Company's network of liquid sulphur distribution facilities comprises a main terminal at Beaumont, Texas, and fifteen other terminals, some of which are owned, while others are leased. The terminals are located in the following States of the United States: Florida, Georgia, Illinois, Louisiana, Maryland, New Jersey, North Carolina, Ohio, Pennsylvania, Texas and Virginia.

To serve such terminals, and for shipment to customers, the Company owns, charters, or leases the following:

SS Marine Texan	23,000 tons capacity
SS Marine Floridian	23,600 tons capacity
1 Limited coastwise barge	
17 River barges	
625 Liquid sulphur railroad cars	

The Company also has a 50 per cent interest in the transatlantic liquid sulphur tanker vessels Naess Texas and Naess Louisiana, each of 25,000 ton capacity.

B. GAS DIVISION

The major properties of the Gas Division of the Company are its 37½ per cent interest in the Okotoks sour gas sulphur recovery plant and production thereof, and its sole ownership of the West Whitecourt sour gas sulphur recovery plant, in the production of which it has approximately an 85 per cent interest. Both of the above plants are located in the province of Alberta, Canada. A new sour gas sulphur recovery plant in the Burnt Timber area of Alberta, Canada, is planned to go on stream in 1970, with the Company having approximately a 20 per cent interest.

The Company has various percentage interests in oil and gas rights on over half a million acres in Alberta and British Columbia.

C. METALS DIVISION

The Metals Division's only operating property is the Kidd Creek Mine near Timmins, Ontario, which is owned and operated by Ecstall Mining Limited, a wholly owned subsidiary. An electrolytic zinc plant and a sulphuric acid plant, to be constructed adjacent to the concentrator, are in the design stage.

The Kidd Creek Mine is a zinc-copper-silver mine with lead and cadmium values, and may yield other minerals in commercial quantity when metallurgical techniques are further perfected.

Other properties of the Metals Division are deposits of metallic sulphides on Baffin Island in the Canadian Arctic, and in New Brunswick and British Columbia. None of these deposits, all of which are in Canada, has yet been mined by the Company.

D. POTASH DIVISION

The Potash Division operates the Cane Creek mine and concentrator near Moab, Utah, where the Company has long-term leases on more than 16,000 acres.

A recently acquired subsidiary, Texas Gulf Potash Company, formerly Homestake Potash Company, owns a 40 per cent interest in the Allan Potash Mines near Saskatoon, Saskatchewan, Canada, which has a designed annual production rate of 1.5 million tons of product.

E. TRONA PROJECT

In southwestern Wyoming the Company owns mineral rights to 12,799 acres of land which is known to contain substantial deposits of trona. A shaft has been sunk on this property as part of a development project administered by the Potash Division.

F. PHOSPHATE DIVISION

The Phosphate Division has about 30,000 acres of phosphate reserves near Aurora, North Carolina, with mining, processing, and fertilizer materials facilities. Design capacities are as follows:

PRODUCT	SHORT TONS PER YEAR
Phosphate concentrate	3,000,000
Sulphuric Acid	1,067,500
54% Phosphoric Acid	641,600
70% Superphosphoric Acid	128,300
Diammonium Phosphate	220,000
Granular Triple Superphosphate	255,000
Run-of-pile Triple Superphosphate	102,000

During 1969 and 1970 the superphosphoric acid plant will be expanded to double its capacity.

In addition to owned or rented storage facilities for fertilizer materials at several locations in the midwestern United States, the Phosphate Division's distribution system includes four specially designed 2,680 ton capacity barges, 169 tank cars for 54% phosphoric acid, 38 tank cars for 70% superphosphoric acid, and 44 covered hopper cars.

G. ARMSTRONG FOREST DIVISION

The Company owns about 140,000 acres of Pennsylvania woodland, managed by the Armstrong Forest Division, and through a wholly owned subsidiary the Company owns about 115,000 acres of land in Ontario.

H. EXPLORATION

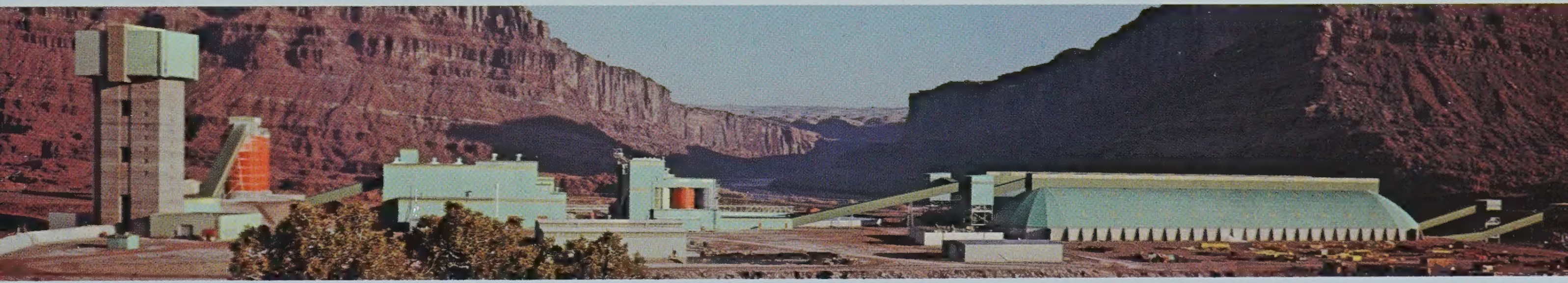
In furtherance of its exploration programme the Company and its subsidiaries have various property interests in many parts of the world, including the United States, Canada, Mexico, Australia and the Continent of Africa.

8. SUBSIDIARIES

NAME	DATE AND PLACE OF INCORPORATION	NATURE OF BUSINESS	PERCENTAGE OWNED
Australian Inland Exploration Company, Inc.	7/18/67 — Delaware	Exploration	100%
Borombe Exploration Company	1/24/69 — Delaware	Exploration	100%
Casamance Petroleum Company	1/24/69 — Delaware	Exploration	100%
Casamance Sulphur Company	1/24/69 — Delaware	Exploration	100%
Compania Exploradora Volcan, S.A.	3/7/67 — Delaware	Exploration	100%
Compania Minera Del Rio Murga, S.A.	2/1/51 — Mexico	Exploration	100%
Ecstall Mining Limited	3/15/65 — Delaware	Mining	100%
Floralina Exploration Company	7/12/65 — Delaware	Exploration	100%
Land and Timber Company	5/12/66 — Delaware	Holding timber property	100%
Lee Creek Airport Radio Service, Inc. (LCARSI)	7/25/66 — N. Carolina	Operates and manages private airport	100%
Libya Boling Corporation	12/15/67 — Delaware	Inactive	100%
Libya Spindletop Corporation	12/15/67 — Delaware	Inactive	100%
Lone Star Salt Water Company, Inc.	12/10/27 — Texas	Storing and transporting water	100%
Massawippi Mining Company, Ltd. (NPL)	2/9/59 — Québec	Acquistion and production of mineral properties	100%
Mons Cupri Mining Company, Ltd.	6/5/69 — Delaware	Exploration and production of mineral properties	100%
Newgulf Telephone Company, Inc.	11/23/32 — Texas	Holding FCC Licenses	100%
Pamlico Farms Incorporated	3/1/67 — N. Carolina	Name protection Beaufort County, N.C.	100%
Ridge Mining Company	3/26/58 — Delaware	Acquisition of mineral properties	100%
Rouanda Mining Company, Ltd. (NPL)	10/3/59 — Québec	Acquistion and production of mineral properties	100%
TGM Corporation	12/13/68 — Delaware	Exploration	80%
Texas Gulf Export Corporation	1/3/58 — Delaware	Sales representative	100%
TGS Corporation	6/5/69 — Delaware	Holding FCC Licenses	100%
TGS Hydrocarbons Limited	12/31/65 — Alberta	Exploration	100%
Texas Gulf Potash Company	2/26/65 — California	Mining	100%
Note: TGS Hydrocarbons Ltd. owns 70% of Chieftain Mac Gas Ltd.	6/1/59 — Alberta	Gas Processing	
Casamance Petroleum Company owns 50% of Total—Texas Gulf SARL	5/28/69 — Senegal	Exploration	

TGS

Texas Gulf Sulphur Company
1968 Annual Report



Directors and officers, left to right: Messrs. Phillips, Wadmond, Beinecke, Decker, Meyer, Smiley, Eccles, Harold B. Kline (vice president and general counsel), David M. Crawford (secretary), Stephens, Fogarty, Shivers and Brass.

Directors

William S. Beinecke
Chairman of the Board
The Sperry and Hutchinson Company
New York, New York

Edward K. Brass
Financial Adviser and
Chairman of Plans and Finance Committee
New York, New York

Harold Decker
Director of Halliburton Company
and Director and Chairman of the
Executive Committee of Eastex, Inc.
Houston, Texas

George S. Eccles
Director, President and
General Manager of
First Security Corporation
Salt Lake City, Utah

Charles F. Fogarty
President
New York, New York

John M. Meyer, Jr.
Chairman of the Board
Morgan Guaranty Trust Company of
New York, New York

Thomas M. Phillips
Senior Partner
Baker, Botts, Shepherd & Coates
Houston, Texas

Allan Shivers
Chairman of the Board
Austin National Bank
Austin, Texas

Donald B. Smiley
Chairman of the Board,
Treasurer, and Director
R. H. Macy & Co., Inc.
New York, New York

Claude O. Stephens
Chairman of the Board and
Chief Executive Officer
New York, New York

Lowell C. Wadmond
Partner
White & Case
New York, New York

Executive Offices
200 Park Avenue
New York, New York 10017

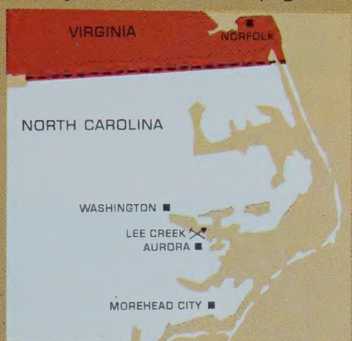
Registrar
The Chase Manhattan Bank, N.A.
1 Chase Manhattan Plaza
New York, New York 10015

Transfer Agent
Bankers Trust Company
16 Wall Street
New York, New York 10015

Texas Gulf Sulphur Company
1968 Annual Report

Metals page 8

Phosphate Fertilizers page 11



Potash Fertilizers page 14

Frasch Sulphur page 16

Recovered Sulphur page 20

Contents

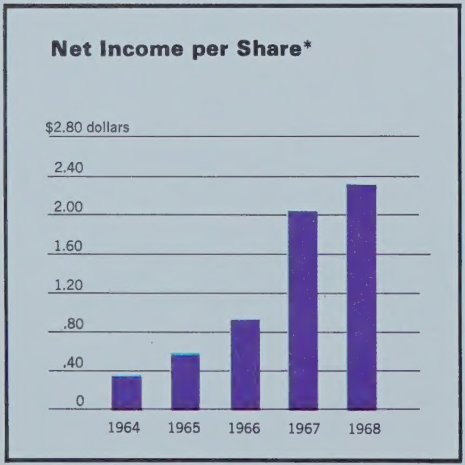
2 Financial Highlights
3 Letter to Stockholders
6 Exploration
8 Metals
11 Phosphate Fertilizers
14 Potash Fertilizers
16 Frasch Sulphur
20 Recovered Sulphur
21 Financial Summary
26 Accountants' Report
28 Ten-Year Financial Review
31 Officers and Staff

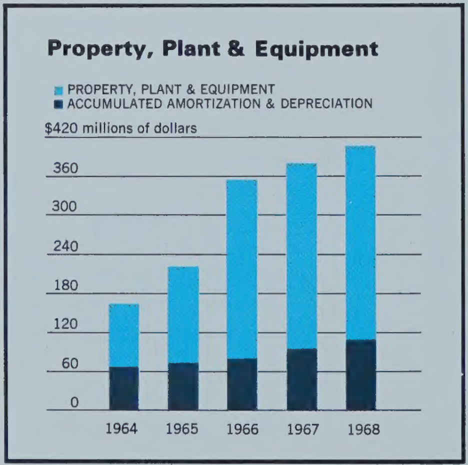
Annual Meeting

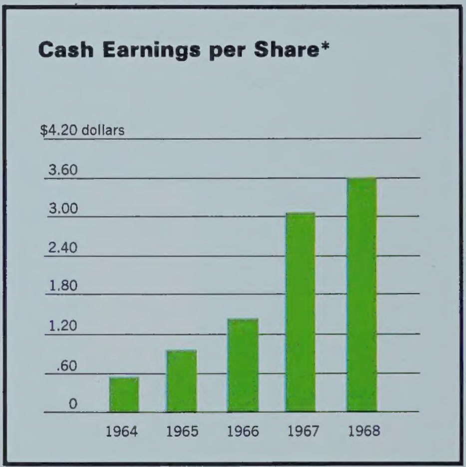
The Annual Meeting of Stockholders will be held in the Houston Club building, Houston, Texas on Thursday, April 24, 1969. Notice of Meeting, Proxy Statement and Proxy will be sent to all Stockholders on or about March 24, 1969

Comparative Financial Highlights

	1968	1967	1966
Gross sales	$309,915,204	$253,098,544	$132,718,172
Less zinc and lead smelting and refining charges	43,956,915	30,355,548	2,380,749
	$265,958,289	$222,742,996	$130,337,423
Net income	$ 70,519,833	$ 62,101,721	$ 28,095,817
Net income per share*	$ 2.33	$ 2.05	$ .93
Cash earnings per share*	$ 3.61	$ 3.08	$ 1.44
Cash dividends per share*	$ .33⅓	$ .13⅓	$ .13⅓
Working capital	$153,268,725	$ 69,712,044	$ 33,528,733
Ratio of current assets to current liabilities	4.3 to 1	4.0 to 1	2.4 to 1
Total assets	$523,559,737	$414,619,657	$363,037,949
Non-current notes payable	$125,500,000	$115,000,000	$135,000,000
Stockholders' equity	$296,867,017	$235,521,567	$176,412,881
Number of stockholders	62,001	48,529	49,553
Average number of shares outstanding*	30,323,681	30,223,094	30,126,680







*Adjusted to reflect three-for-one stock split at May 6, 1968

To Our Stockholders:

Claude O. Stephens was elected chairman of the board in July, 1968. He first worked for TGS during the summer vacation while studying engineering at Louisiana State University. He graduated in 1932 with a degree in petroleum engineering and joined the company as a field engineer. Serving with the Army in the Pacific Theater during World War II, he became a Major and was awarded the Bronze Star. He was the manager of the company's first plant for the recovery of sulphur from sour natural gas in Wyoming, later became manager of the gas department, a vice president in 1952, a director in 1956 and president in 1957. In 1968 he was named by his alma mater as "Alumnus of the Year."

We are pleased to report that the company's sales and earnings in 1968 again established new records. Sales in 1968 less smelting and refining charges for lead and zinc amounted to $265,958,289, an increase of 19 per cent over 1967. Net income was $70,519,833, an increase of 14 per cent over 1967. Earnings per share were $2.33 in 1968, compared to $2.05 in 1967 after adjustment for the 3-for-1 split of the company's common stock which became effective May 6, 1968. The effect of the 10 per cent Federal surtax on 1968 earnings amounted to 10 cents a share.

Frasch sulphur, sulphur recovered from gas operations and metals accounted for the greatest part of 1968 earnings, and metals contributed most of the increase in net income.

Highlights of the year included:

Sulphur

Sulphur operations enjoyed another excellent year. Texas Gulf's production of sulphur increased to slightly more than three million long tons. Free World consumption established a new record of 26.9 million long tons in 1968, an increase of 3.8 per cent. This was less than the rate of growth in recent years, and for the first time in six years, production exceeded consumption as Free World production reached a record level of 27.4 million long tons, an increase of 7.6 per cent over 1967.

A series of poor fertilizer seasons contributed to the ending of the sulphur shortage in 1968, and the rebuilding of sulphur inventories will continue until the demand for phosphatic fertilizers begins to catch up with the supply.

As the sulphur shortage eased during 1968, price weaknesses appeared in some parts of the world. The U.S. Department of Commerce cautioned that a new surge in demand could see the market tighten again and that any substantial price reduction would have a tendency to eliminate marginal production. The price for domestic Frasch bright sulphur was increased $3 to $42 per long ton f.o.b. U.S. Gulf Coast shipping points on March 27, 1968, and on January 20, 1969, it was reduced $2 per long ton for shipment within the North American Continent.

Dr. Charles F. Fogarty was elected president at the July, 1968 board meeting. He joined Texas Gulf as a geologist in the exploration department in 1952 after receiving his doctor of science degree in geology from the Colorado School of Mines, where he also received his engineer of mines degree in 1942. Dr. Fogarty became a vice president in 1957, a senior vice president in 1961, a director in 1962, and executive vice president in February, 1964. He served with the Army Corps of Engineers from 1942 to 1946, attaining the rank of Major. In 1962, the Colorado School of Mines presented him with its highest honor, the Distinguished Achievement Award. He has just completed two terms as president of the Mining and Metallurgical Society of America. He received the Hal Williams Hardinge Award in recognition of outstanding achievement in the field of industrial minerals at the 1969 annual meeting of the American Institute of Mining, Metallurgical and Petroleum Engineers in February.

Phosphate

Because of worldwide marketing conditions, the Phosphate Division's facilities at Lee Creek, North Carolina, operated below capacity in 1968. There was a firming of prices for phosphate fertilizer products in the latter part of the year, and present indications are that the division should contribute to profits in 1969.

Plans to increase production facilities will be carried out over the next few years, starting with an expansion of superphosphoric acid capacity this year. The continued favorable long-term growth prospect for sulphur and fertilizer materials is indicated by the Tennessee Valley Authority's 1968 estimate that phosphate fertilizer demand will double by 1975 and triple by 1980.

Potash

The Potash Division continued to improve operating efficiencies of the mine and mill at Cane Creek near Moab, Utah, and produced nearly 410,000 tons in 1968. But these improvements were still not enough to offset continued price weaknesses and the division operated at a loss. The company has been attempting to obtain a supplementary source of supply of lower cost Canadian potash and hopes to achieve this in the near future.

Metals

During the first full year of operations at the Kidd Creek Mine and concentrator near Timmins, Ontario, Canada, the initial highly satisfactory operations were further improved by our wholly owned subsidiary Ecstall Mining Limited. More than 3,600,000 tons of ore were milled, and production included 205,400 tons of 23 per cent copper concentrates, 562,400 tons of 52 per cent zinc concentrates, and 96,000 tons of lead concentrates, which included 13,396,000 ounces of silver recovered.

An exhaustive study of the many factors affecting plans to construct the company's own smelters in Ontario is nearing completion and a decision will be made soon.

Prices for metals were generally strong throughout the year. There were further price increases early in 1969. Copper advanced from 42 to 44 cents per pound in the United States, prime western zinc from 13½ to 14 cents a pound, while silver fell somewhat below the higher prices of more than $2 an ounce which had prevailed during 1968.

Trona

Construction of the 16-foot diameter mine shaft at the trona deposit near Black's Fork River in southwestern Wyoming should be completed to its planned depth of 1500 feet in mid-1969, after which test mining operations will proceed.

Exploration

The search for additional natural resources was intensified during the year by the Exploration Division in various parts of the United States, Canada, Mexico and other countries. The exploration budget was again substantially increased. The company has recently become interested in exploring for oil, gas and other minerals in Africa.

Australia

The Australian Inland Exploration Company, a wholly owned subsidiary, carried out air-borne geophysical surveys and geological studies over a large area in Western Australia in 1968. Extensive drilling was done on a copper-zinc-silver prospect at Mons Cupri. Several areas of mineralization have been encountered. More drilling will be required for proper evaluation.

Litigation

The lengthy litigation brought by two Canadian companies with regard to the Kidd Creek Mine which Texas Gulf Sulphur discovered and developed near Timmins, Ontario, Canada was decided in the company's favor on November 29, 1968, in the Supreme Court of Ontario.

In the SEC litigation which began nearly four years ago, the trial court's decision in favor of the company and most of the individual defendants was reversed in most respects by the Second Circuit Court. The case has been remanded to the Federal District Court for further proceedings, but two of the individual defendants have petitioned the U.S. Supreme Court for review.

Additional litigation is referred to in Note 7 on page 27.

New Officers and Director Elected

In July 1968, Claude O. Stephens, president of the company since March 1957, was elected chairman of the board, and Dr. Charles F. Fogarty, executive vice president since February 1964, was elected president.

At the November 1968, meeting of the board of directors, Thomas M. Phillips, senior partner in the Houston, Texas law firm, Baker, Botts, Shepherd and Coates, was elected a director to succeed Francis G. Coates, who resigned for reasons of health. Mr. Coates had been a director since 1949 and had given outstanding service and counsel to the board.

A. Nelson Myers, vice president and manager of marketing since 1964, was elected senior vice president. E. Orys Mason, formerly general manager of the Frasch Sulphur Division, was elected vice president for that division, and Charles F. Drees was appointed general manager of the division. Bill L. Bessinger was named general manager of the Potash Division. John E. Johnson was elected assistant treasurer.

Stock Split 3-for-1 and Dividend Increased

A 3-for-1 split of the company's stock was approved at the annual meeting of stockholders on April 25, and became effective on May 6, 1968. The stockholders also approved an increase in the authorized capital stock of the company from 15,000,000 shares, no par value, to 45,000,000 shares of capital stock. Following the annual meeting, a quarterly dividend of 30 cents per pre-split share was declared payable June 15, to stockholders of record on May 6, tripling the quarterly dividend paid in recent years.

The Outlook

Assuming a continuation of current economic trends and worldwide growth in demand for vital natural resources, the outlook is favorable for further growth in the company's sales and earnings in 1969. As indicated in the financial review on page 21, the company continues to be in a strong financial position which would enable it to undertake additional ventures or acquisitions.

During the past five years of rapid growth and diversification in the company's operations, the importance of developing key people — and indeed of skilled personnel at all levels—has been emphasized. Each of the operating divisions is headed by a management team of outstanding competence. Each of the divisions has been responsible for production, and, continuing the policy of further decentralization, each division will have responsibility for sales. Company-wide policies will continue to be guided at the corporate level by experienced staff officers who also provide coordination of divisional activities.

This annual report reviews briefly the backgrounds of company officers at the divisional and staff level.

All employees are to be congratulated for the excellent progress made in 1968, and we are grateful to our stockholders, customers and community neighbors for their interest and support.

Respectfully submitted

C O Stephens

Claude O. Stephens
CHAIRMAN

Charles F. Fogarty

Charles F. Fogarty
PRESIDENT

March 6, 1969

Exploration increased in 1968

Exploration activities were further increased in 1968. From its headquarters in Toronto, Ontario, Canada, the Exploration Division directs activities of regional offices in Houston, Texas; Calgary, Alberta, and Tucson, Arizona; and district offices in Vancouver, British Columbia; Carlsbad, New Mexico; Mexico City, Mexico, and Antofagasta, Chile. Projects are under investigation in several parts of the world.

During 1968 drilling began on tracts on which sulphur leases were obtained in Pecos County, West Texas, and is continuing as the result of favorable indications received to date. Other areas are being drilled in Culberson County, Texas, and Eddy County, New Mexico.

Drilling is also continuing during winter months for uranium and other minerals in the Blind River Area of Lake Huron. Work is confined to the season when ice will support the drill rigs.

Exploration activities are being actively pursued throughout most of Canada. Arrangements have been completed to investigate a 1330 square-mile concession on the Avalon Peninsula in Newfoundland.

The exploration budget was again substantially increased in 1968. The company has recently become interested in exploring for oil, gas and other minerals in Africa.

Dr. Walter Holyk, vice president of the Exploration Division, has been active in exploration projects in many parts of the world since joining Texas Gulf in 1952. He is a native of Revelstoke, British Columbia and served during World War II as a navigator and flying officer in the Royal Canadian Air Force. He graduated from the University of British Columbia with a degree in geological engineering in 1949 and received his doctorate in geology from Massachusetts Institute of Technology in 1952. He became manager of exploration for Texas Gulf in 1964 and was elected a vice president in 1967. He is a member of several professional organizations in the U.S. and Canada.

Western Australia

The Australian Inland Exploration Company, a wholly owned Texas Gulf subsidiary, was active in a large area of Western Australia during 1968. Extensive drilling was done on a property at Mons Cupri, and airborne geophysical surveys and geological studies were carried out on two other concessions acquired in this general area which has an interesting and favorable geological environment.

Drilling will be increased in 1969 at Mons Cupri, which is a copper-zinc-silver prospect. Several areas of mineralization have been encountered, and more drilling will be required for proper evaluation.

Top: A helicopter brings supplies for a drill rig and its crew in a typical exploration operation in northern Canada. Even the drill rig itself was flown into the area.

Bottom: Core samples obtained in exploration drilling are stored in boxes like this. The usual diamond drilling bores a hole slightly more than one inch in diameter.

Above: Leo J. Miller, president of the Australian Inland Exploration Company, enjoys a moment of relaxation. Before becoming head of this TGS wholly owned subsidiary in 1966, Dr. Miller had been general manager of the Phosphate Division's Lee Creek Mine and fertilizer plants. During World War II, Dr. Miller served in the U.S. Infantry, attaining the rank of 1st Lieut. He received his B.S. degree in geology at the University of Southern California in 1950 and Ph.D. in geology at Columbia in 1955. He joined TGS in 1957 and was engaged in exploration work on the Canadian Shield and in North Carolina. He is a member of several professional organizations.

Kidd Creek Mine produced more than 3,600,000 tons of ore in 1968

More than 3,600,000 tons of ore were mined and milled in 1968, the first full year of operations at the Kidd Creek Mine and concentrator near Timmins, Ontario, Canada. Production by Texas Gulf Sulphur's wholly owned subsidiary, Ecstall Mining Limited, included approximately:

562,400 tons of 52 per cent zinc concentrates
205,400 tons of 23 per cent copper concentrates
96,000 tons of lead concentrates
13,396,000 ounces of silver in the above concentrates

Metal recoveries were further improved during the year. The open pit mining operations progressed satisfactorily to the fifth 40-foot bench in 1968.

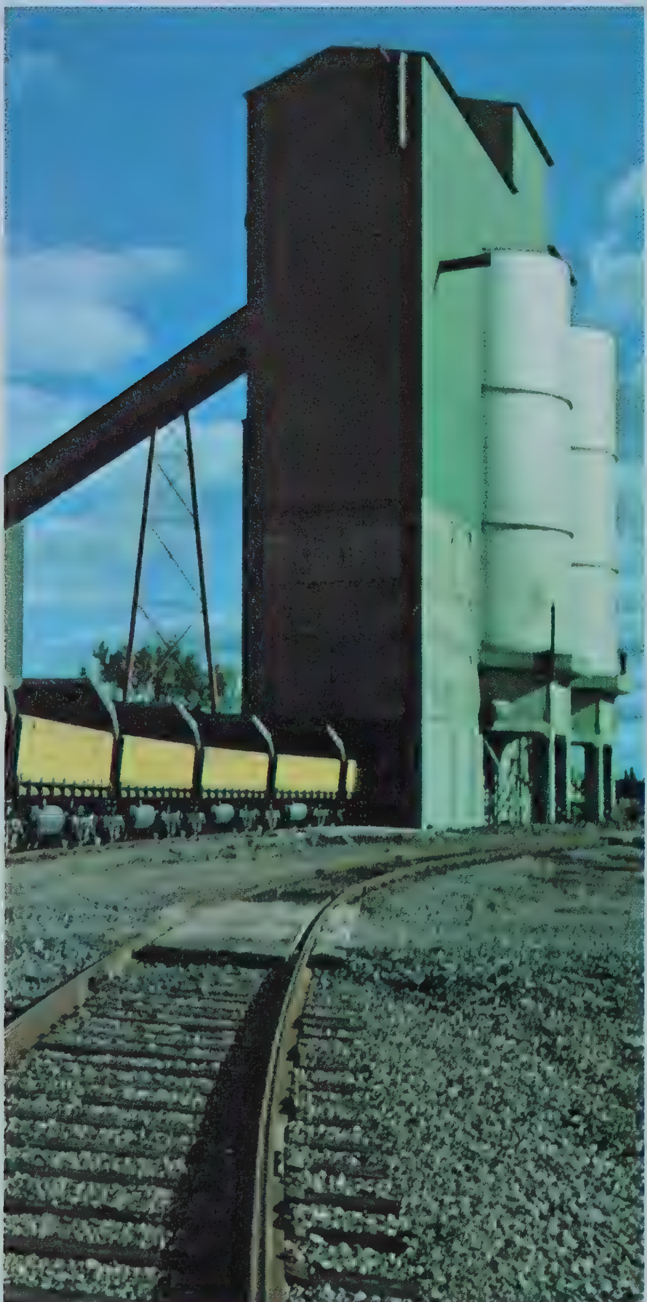
Pilot plant research on improved metallurgy is continuing with the objective of better recovery at the concentrator and the recovery of several additional products, such as pyrite and tin. The cyanide process for recovering silver from the pyrite and the tailings is also under study. Preliminary studies have begun to develop the underground mine to supplement the open pit production.

Substantial progress on a comprehensive study of factors affecting a decision to build the company's own smelters in Ontario was made during the year, with particular emphasis on zinc and on determining the most desirable location to be competitive in world markets. Initially, because there is no available smelting capacity in Canada, zinc concentrates have been sold by Texas Gulf to smelters in the United States, Europe and Japan. A copper smelter is also under study. In the meantime, copper concentrates continue to be shipped for smelting and refining to Noranda and Montreal East, respectively, both in the Province of Quebec. The resulting copper metal and silver are returned to the company for sale. Lead concentrates containing much of the silver are shipped from Canada for smelting and sale.

Principal products of the metals division continued to be in strong demand in 1968. Silver prices have dropped back from the high levels of more than $2 an ounce which prevailed during much of 1968, but there were increases in

Richard D. Mollison, a native of Minnesota, graduated as a mining engineer from the University of Minnesota in 1941. He joined Texas Gulf in 1947 and became manager of exploration in 1958. He has had extensive experience in mining and exploration work for TGS and other leading mining companies in the western United States, the North American eastern seaboard, Peru, Cuba, British Columbia, Alaska and the Canadian Arctic. He was elected vice president, exploration, in 1962, and after the 1964 discovery of the Kidd Creek Mine, became vice president of the Metals Division and executive vice president of Ecstall Mining Limited. He is a member of mining and engineering societies in the U.S. and Canada.

Ore is mined at Kidd Creek by the open pit method. ▶ After blasting *(right)*, broken ore is loaded by electric shovels into 50-ton trucks and transported to a primary crusher on the rim of the pit. Nearly seven million yards of clay and muskeg have been stripped from the surface to expose the 80 acres of bedrock for open pit mining.



From the primary crusher, ore is conveyorized to two loading bins *(above)*, then transported over a 17.5-mile rail line to the Kidd Creek concentrator which is adjacent to the main line of the Ontario Northland R.R.

other metal prices in 1969. Copper prices in the United States advanced to 44¢ a pound from 42¢ and the price of prime western zinc rose to 14¢ from 13½¢.

Free World production and shipments of copper, lead and zinc increased in 1968. Free World production of refined copper amounted to 5.91 million short tons, compared to 5.27 million tons in 1967 when production was limited by protracted strikes in the industry. Free World consumption of refined copper in 1968 reached an estimated 5.58 million short tons, an increase of 4 per cent.

Free World refined zinc production in 1968 was 4.10 million short tons, compared to 3.64 million tons in the preceding year. Consumption of refined zinc increased to 4.17 million tons in 1968 from 3.72 million tons in 1967.

Free World production of refined lead rose to 2.98 million tons in 1968 from 2.75 million tons in 1967. Free World refined lead consumption was 2.92 million tons in 1968 against 2.74 million tons in 1967.

During 1968 the Metals Division continued work on several other properties, including the Strathcona Sound zinc-lead-pyrite deposit on Baffin Island in the Canadian Arctic; a copper-pyrite deposit on the Ecstall River in British Columbia; and a zinc-lead deposit on the company's Half-Mile Lake property in New Brunswick.

Outlook improving for renewed growth in Phosphate fertilizer markets

Dr. Guy T. McBride, Jr., vice president and general manager of the Phosphate Division, joined Texas Gulf as assistant manager of the research department in 1958. He became manager of research in 1959, a vice president in 1960 and head of the Phosphate Division in late 1963. He is a 1940 engineering graduate of the University of Texas and received his doctor of science degree in chemical engineering at Massachusetts Institute of Technology. He served as a research associate and instructor at M.I.T. and professor of chemical engineering and dean of students at Rice University. He is a member of several professional societies and in North Carolina is a member of the Governor's Council on Marine Sciences, the Council for Economic Development, and a director of the North Carolina Citizens Association.

Worldwide market conditions prevented the Phosphate Division from operating at full capacity in 1968. Technical difficulties encountered during the first full year of operations were largely overcome. At year's end, the outlook was improving for a resumption of the dramatic growth rate which had characterized the fertilizer industry during the decade from the mid-1950's to the mid-1960's.

In the latter part of 1968 there was a marked firming in phosphate fertilizer prices which had been depressed following a series of poor fertilizer seasons. Both government and industry experts foresaw a return to at least the former rate of growth of about 7 per cent a year, assuming a return to normal growing weather. Continued rapid growth in the use of fertilizers is essential to fulfill the worldwide need for higher nutrition standards and more food for an ever-growing population.

In mid-1968 the Tennessee Valley Authority predicted that world fertilizer consumption would double by 1975 and triple by 1980. This would require a rate of growth even greater than the period from 1957 to 1966 when annual increases in production of phosphate rock were barely enough to keep up with increased consumption. During this period consumption of phosphate rock in the United States increased from 11.7 million tons to 27.4 million tons.

Preliminary figures indicate that phosphate rock consumption in the United States in 1968 was about equal to 1967 consumption of 27.9 million tons. In recent years, the United States has been a net exporter of about 10 million tons.

Lee Creek's plants combine two of the Company's basic raw materials to produce fertilizer materials. Phosphoric acid is made by combining phosphate rock with sulphuric acid which is made at Lee Creek from sulphur shipped from Texas and other locations. The phosphoric acid, in turn, is used in the production of various fertilizer materials.

The Lee Creek Mine on the Pamlico River on the eastern shore of North Carolina is strategically located to serve domestic and world markets. Shipments are made by both rail and water. Four mechanized barges transport phosphate fertilizer products by inland waterway to deepwater shipping facilities at nearby Morehead City.

Production at Lee Creek in 1968 included the following:

54% Phosphoric acid	443,550 tons
70% Superphosphoric acid	62,800 tons
Triple Superphosphate	225,700 tons
Diammonium Phosphate	183,350 tons

Market experience to date indicates that the division's greatest long-range growth potential lies in the production of 54% phosphoric and 70% superphosphoric acids of the highest quality. Lee Creek's modern, large-scale plants produce acids which are exceptionally well suited to the growing liquid fertilizer market.

In preparation for serving this large and growing market Lee Creek's facilities are being readied for expansion. Contracts should be executed in 1969 for adding to the superphosphoric acid plant and perhaps for expanding other acid and auxiliary plants.

Access to the export market was improved by the completion of deepwater shipping facilities by the North Carolina State Ports Authority at Morehead City, a relatively short barge trip from the mine.

Lee Creek's phosphate reserves are ample to meet expanding world demands for many decades to come. The company has made every effort to insure that its mining and processing activities will not detract from the many natural advantages which this area of North Carolina offers. This includes a continuing major program of environmental control, with emphasis on clean air and water, and a long-range plan for land reclamation through reforestation and pastures for raising cattle.

Potash production continues to improve but price trends are unfavorable

During 1968 performance at the Cane Creek Mine near Moab, Utah showed substantial improvement. With continued severely depressed prices, however, the division operated at a loss.

Improved technology and efficiency have resulted in advances in production rates and lower costs. Nearly 410,000 tons of potash were produced in 1968 compared to about 338,000 tons in 1967. Ore was hoisted at an average rate of 5,143 tons per day in contrast to 4,350 tons per day in 1967 and 3,321 tons per day in 1966.

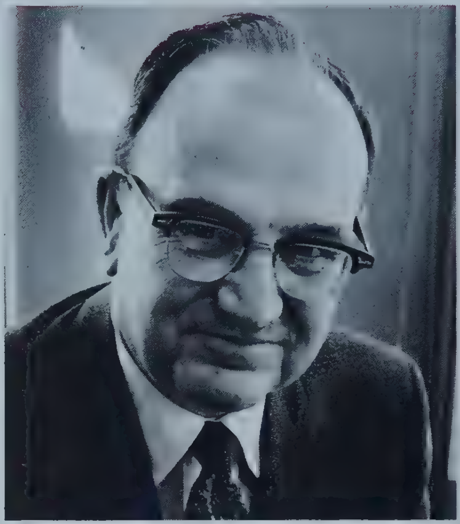
By year's end the crystallizer circuit installed in 1967 was functioning well, resulting in the ability to recover at lower cost the finer material which improved overall plant recovery to better than 90 per cent.

Potash prices continued their downward trend because of the flood of low-cost potash to the U.S. market from Canada's Saskatchewan potash area and from Europe.

Although important improvements in efficiency and continuing reductions in operating cost at Cane Creek have been made, it appears that the new potash mines being brought into production in Saskatchewan will have better ore conditions and, consequently, lower costs.

For several years, Texas Gulf Sulphur has been seeking a position in Canadian potash in Saskatchewan that would provide low cost, competitive production to supplement that at Cane Creek. Many prospects have been examined and three extensive lease blocks near Esterhazy have been acquired and explored.

Recently, an opportunity has become available to acquire a 40% interest in an operating Canadian potash mine. If the acquisition is consummated, it will provide TGS with production and new products from this important potash province.



H. V. W. Donohoo is vice president of the Potash Division. His responsibilities also include the Trona Project in southwestern Wyoming. A 1939 graduate of the Colorado School of Mines, Mr. Donohoo had extensive experience in education and in U.S. Navy service before joining TGS in 1957. He was an electronics officer in both World War II and the Korean War, becoming a Lt. Cmdr. He was an instructor at Cornell University and an assistant professor at the University of Utah, where he organized the department of geophysics. At TGS, he has served as chief geophysicist and as manager of Exploration in the Gulf Coast area. He became a vice president in 1967. In 1968 he received the Colorado School of Mines' highest honor, the Distinguished Achievement Award. He is a member of many professional organizations in the U.S. and Canada.

Top: Railroad loading facilities at the Potash Division's Cane Creek Mine in the spectacularly scenic canyonlands near Moab, Utah.

Bottom: A 20-ton skip delivers potash ore to the surface at the headframe of Cane Creek's 2789-foot mine shaft. An auxiliary shaft was completed in 1968.

Above: Work progressed at the site of the Black's Fork Trona Project in southwestern Wyoming. A 1500-foot mine shaft will be completed early in 1969 and test mining of trona will begin. Based on these tests, surface processing facilities will be designed for conversion of trona into soda ash, a basic raw material of the glass, chemical and other industries.

E. Orys Mason was elected vice president of the Frasch Sulphur Division in July, 1968. A native of Donie, Texas, Mr. Mason joined Texas Gulf in 1928 and held various positions of responsibility in the accounting department while the company's sulphur operations were expanding to include several mines in addition to the original one at Gulf. He became executive vice president of CEDI, the company's then wholly owned Mexican affiliate, and was headquartered in Mexico City for nine years. He became assistant general manager of the Frasch Sulphur Division in 1963 and general manager in 1965. Mr. Mason studied at Louisiana State University and has been active in civic and educational organizations in the community and is a member of several professional societies.

◀ Sulphur is brought to the surface in liquid form in the Frasch hot-water process of mining. A typical collecting station at one of TGS' five Frasch sulphur mines in Texas is shown at left. The company's total Frasch production increased in the United States from about 2.5 million long tons in 1967 to nearly 2.7 million long tons in 1968.

1968 Sulphur production exceeded consumption for first time since 1963

Free World consumption of sulphur again established a new record in 1968, but for the first time in six years production exceeded consumption, bringing to at least a temporary halt the serious imbalance between supply and demand.

Free World consumption was 26.9 million long tons, an increase of 3.8 per cent. Free World production rose 7.6 per cent to a record level of 27.4 million long tons.

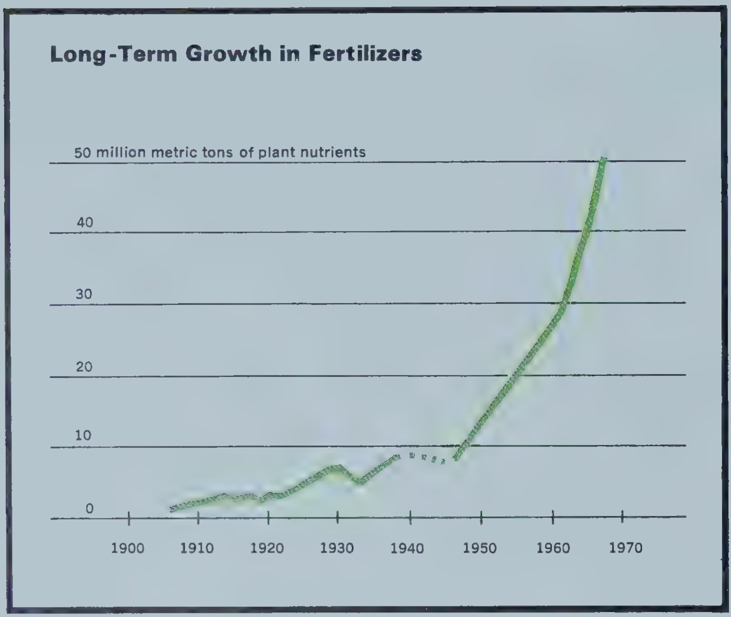
During the five years of the sulphur shortage, Free World inventories of elemental sulphur had declined from 43½ weeks of supply to barely 12 weeks. By the end of 1968, total inventories of elemental sulphur had been restored to 17.9 weeks of supply. The excess of 500,000 tons of production over Free World consumption was further increased by a gain of 600,000 tons in imports from Communist countries.

United States consumption of sulphur in 1968 amounted to 9.4 million long tons, an increase of 1.2 per cent.

Sulphur used in the manufacture of fertilizers continued to set the pace in total sulphur demand, although the rate of growth has been slowed by a series of poor fertilizer seasons. The percentage share of fertilizers in total sulphur demand has been steadily increasing for a decade. In the United States, it increased from 35 per cent to 48 per cent, and, on a worldwide basis, it increased from 40 to 50 per cent.

While demand for fertilizer grew at unprecedented rates during the years of the sulphur shortage, capacity to produce grew even faster. The recent reduced demand for phosphatic fertilizers resulted in large accumulations of inventories of fertilizers made with sulphuric acid. A decrease in the rate of sulphur sales to the phosphate industry contributed to the ending of the sulphur shortage in 1968, and the rebuilding of inventories will continue until the demand for phosphatic fertilizers begins to catch up with supply.

The long and costly efforts of the sulphur industry to raise the levels of supply also contributed to the ending of the shortage in 1968. In the United States Frasch sulphur production in 1968 totaled 7.5 million long tons, an increase of 446,000 tons, and total U.S. production of sulphur in all



The rate of growth in world fertilizer consumption turned sharply higher in the decades following World War II, as indicated by the above chart prepared by the Tennessee Valley Authority. The quantities of plant nutrients are based on the amounts of nitrogen, phosphorus as the P_2O_5 content of phosphoric acid, and potassium as the K_2O equivalent of potash used in the fertilizers. Recent year-to-year increases in consumption have been as great as total consumption for an entire year in the mid-1920's or mid-1930's. No statistics are available for the war years.

forms increased 633,000 tons to 9.8 million tons.

Western Canada increased the production of sulphur recovered from sour natural gas by 897,000 tons to a total of 3.1 million tons. Production of Frasch sulphur in Mexico was down by 11 per cent to a total of 1,584,000 tons. French production of 1,582,000 tons of sulphur from the natural gas fields of Lacq remained about the same. In Poland, further increases were achieved, and Polish exports to Free World markets added further to the supply available in 1968.

Texas Gulf Sulphur's production of sulphur in 1968 amounted to about 3,030,000 long tons, a slight increase over 1967. The new Frasch sulphur mine at Bully Camp, 40 miles southwest of New Orleans, Louisiana, went into production on May 30 and is producing at the rate of 300,000 long tons per year. It was also the first full year of resumed operations at the Nopalapa mine on the Isthmus of Tehuantepec, Mexico, which is producing at the rate of 100,000 metric tons per year. TGS has a 34 per cent interest in Compania Exploradora del Istmo (CEDI), the Mexican company which owns Nopalapa and is developing another sulphur mine at nearby Texistepec.

Price weaknesses appeared in some parts of the world as the sulphur shortage eased during 1968. Even after U.S. domestic prices were increased in the spring of 1968, they remained considerably below world levels. The price for domestic Frasch bright sulphur was increased to $42 per long ton f.o.b. U.S. Gulf Coast shipping points on March 27, 1968. Later in the year foreign prices moved back down toward the U.S. domestic and export price levels. On January 20, 1969, Texas Gulf announced a reduction of $2 per long ton for shipment within the North American continent.

The U.S. Department of Commerce noted that a continuation of the trend to lower prices could have the unfortunate consequence of leading to a serious shortage later when demand for sulphur resumes its rapid growth. It pointed out that as long as prices are maintained, new and proposed facilities should insure a supply-demand balance. However, any substantial price reduction would have a tendency to eliminate current and potential marginal production.

All indices pertinent to the sulphur industry point to a continued need for new sources of supply of economical sulphur. If demand for sulphur were to grow at a rate not faster than the long-term historical average of 4.0 per cent a year, the cumulative output to satisfy demand during the next 20 years alone would amount to some 950 million long tons.

The per capita use of sulphur is a reliable indicator of the living standards of the population of a given country. Between 1957 and 1967, for example, sulphur consumption in the United States grew from 76.3 to 106.3 pounds per person. Efforts worldwide to improve living standards provide a further basis for anticipating substantial increase in future sulphur demand.

Production capacity of the recovered sulphur plant at Whitecourt, Alberta, Canada, is being increased by 200,000 long tons to a total of 685,000 long tons per year. The picture at right was taken on a typical mid-winter's day when the temperature was 40 degrees F below zero. ▶

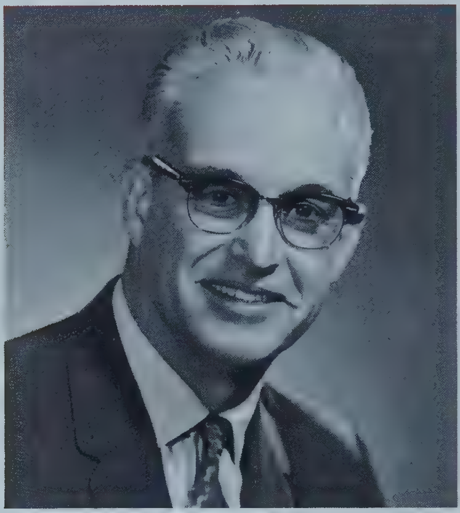
Sulphur Production in Western Canada will be increased in 1969

Texas Gulf's Gas Division was one of the pioneers in developing the recovery of sulphur from sour natural gas in Western Canada. After a decade of increasing operations, Western Canada as a whole hit a peak of 3.1 million long tons. TGS's second Alberta plant, at Whitecourt, produced its two millionth ton of sulphur since its start-up in 1962.

Production from Whitecourt and the company's original recovery plant at Okotoks, Alberta, totaled 338,904 long tons in 1968, compared to 427,600 in 1967.

An addition to the Whitecourt plant is now scheduled to begin operating early in 1969, increasing the plant's capacity by 200,000 tons to a total of 685,000 long tons per year.

Western Canada as a whole was a major contributor to the Free World increase in sulphur production in 1968, adding 897,000 tons to the total produced in 1967.



James W. Estep, vice president of the Gas Division, has been responsible for the company's sulphur recovery operations in Alberta, Canada since the beginning of construction of the first plant at Okotoks in 1958. He graduated from the University of Pittsburgh with a degree in chemical engineering in 1940 and served with the U.S. Army during World War II with the Combat Engineers. He began his service with TGS in 1946 while a graduate fellow at the Mellon Institute of Industrial Research. He became assistant superintendent and then manager of TGS's pioneering plant for the recovery of sulphur from sour natural gas at Worland, Wyoming. He is a member of professional engineering organizations in the U.S. and Canada.

Oil and Gas Produced in Canada and United States

Texas Gulf's share of oil and gas produced on the Gulf Coast of the United States and in Western Canada in 1968 included 289,062 barrels of oil and condensate, compared to 297,890 in 1967, and 10,034,000 thousand cubic feet of gas, compared to 9,557,650 thousand cubic feet in 1967.

Texas Gulf's share of the production from various gas properties in Alberta, excluding Okotoks and Petrogas, yielded 4,114,028 thousand cubic feet of sales gas and 40,750 barrels of condensate and oil. The Okotoks plant operated at a maximum throughput during the year. Gas sales from this operation are to Canadian Western Natural Gas Co. Ltd., serving the City of Calgary.

Financial Review

Summary

Sales less smelting and refining charges increased 19 per cent to $265,958,289, setting an all time record for the company for the fourth consecutive year.

Net income was $70,519,833 or $2.33 per share, also a record. This was a 14 per cent increase over the $62,101,721 or $2.05 per share earned in 1967. Net income for 1968 amounted to 26.5 per cent of gross sales less smelting and refining charges.

Cash earnings were $109,390,000, equivalent to $3.61 per share (computed as net income plus non-cash charges including non-current deferred income taxes, depreciation and amortization). This was an increase of $16,188,000 or 17 per cent over cash earnings in 1967.

Working capital at year-end was $153,268,725, up $83,556,681 or 120 per cent from the beginning of the year.

The total of property, plant and equipment plus investments, advances and other assets (both net) at year end was $322,470,833. During the year, capital expenditures were about $30,000,000 while depreciation and amortization were $22,184,000.

Total assets increased $108,940,080 during the year to $523,559,737. It was the first time in the company's history that total assets had exceeded a half-billion dollars.

Dividends paid during the year were $10,110,497 compared to $4,029,974 in 1967.

Stockholders' equity at year-end was $296,867,017. This is an increase of 26 per cent coming almost entirely from $60,409,336 of earnings being reinvested in the business.

Non-current notes payable plus the current portion amounted to $135,500,000 at the end of the year. Stockholders' equity was 2.2 times total debt outstanding.

Earnings and Dividends

In its first full year of operations, the Kidd Creek Mine was primarily responsible for the increase in the company's net income. Metal income has become a close second to sulphur, the mainstay of our business. Fertilizers were unable to show profits for the year because of worldwide marketing conditions.

Looking ahead, 1969 earnings from metals are expected to improve even further with higher tonnage sales of zinc concentrates. The division's performance will of course be dependent on prevailing prices for zinc, copper and silver. A full year at the recently announced $40 per ton price for sulphur, f.o.b. U.S. Gulf Coast shipping points, and an increase in tonnage could result in higher earnings for sulphur. Results from fertilizer operations, especially phosphate fertilizers, are expected to be better in 1969. Prices have firmed and increases in sales are expected if weather conditions are satisfactory.

The 186th through 189th consecutive quarterly dividends were paid in 1968. All were at the rate of 10 cents per share. In the last three quarters, after the 3-for-1 split of the common stock in May, this represented a tripling of the former dividend.

Sales

All products except sulphur contributed to the 19 per cent increase in sales less smelting and refining charges. While f.o.b. mine prices received for sulphur for all of 1968 were higher than in 1967, the lower tonnages sold more than offset the improved realization per ton. Fertilizer sales increased about 55 per cent and account for approximately 13 per cent of gross sales. Fertilizer increases were primarily from increased volume, although some price firming was noted near the end of the year.

Metal sales from the Kidd Creek Mine were substantially higher. Metal sales are in two forms—sales of metals and sales of metal concentrates. In both cases gross sales are determined on the basis of the total metal values. With respect to sales of metal concentrates, contract prices reflect a reduction for smelting and refining charges including metal-value deductions. During 1968, these charges amounted to $43,956,915 compared to $30,355,548 in 1967.

Costs and Expenses

Operating, delivery and other costs amounted to $157,946,979 during 1968 compared to $127,614,052 in 1967. The increase is mainly due to higher metal and fertilizer tonnages sold, partially offset by lower sulphur tonnages. In 1968 a significant amount for royalty expenses at the Kidd Creek Mine has been included for the first time.

Unit costs of production for all fertilizer products were reduced during the year. Costs should be still lower in 1969, especially for phosphates with projected increases in phosphoric acid sales. Production costs per ton of sulphur were about the same. The new Frasch mine at Bully Camp, La. was brought on stream during the year with favorable production costs.

With a continually expanding exploration program, charges against income in 1968 were about two-thirds

higher than in 1967. It is the company's practice to set up a 100 per cent reserve currently for all exploration projects until determined to be successful or abandoned.

Selling, general and administrative expenses at $10,390,602 increased only $270,222. Expanded sales efforts and staff requirements for expansion and diversification have necessitated the increase from five years ago, although modest during the last two years. There was no significant change in interest expense for 1968. Interest income from short-term cash investments accounted for most of the $4,174,386 increase in other income.

Working Capital

The ratio of current assets to current liabilities at year end was 4.3 to 1. Short-term cash investments increased $82,451,315 during the year to $89,450,390. Cash requirements in the first quarter of 1969 included the first repayment on outstanding debt and the annual Ontario mining tax payment which was about triple that of the previous year. The cash position at the beginning of 1969 also permits continued development of company properties, increased exploration, and other growth and expansion.

Substantial cash will be required for very sizable increases in income tax payments that will have to be made in 1969 and later. These payments will be more consistent with the level of increased earnings. Installment payments in 1968 for U.S. Federal income taxes have been based on the prior year's liability which included the use of tax loss carry-forwards, utilization of accumulated 7 per cent investment credits, and accelerated depreciation. A final payment of nearly $6,000,000 for 1968 must be made in the first half of 1969.

Accounts receivable increased during the year by $12,295,722 reflecting increased sales particularly in fertilizers where extended terms are industry practice. Product inventories increased $8,611,661. Sulphur increased somewhat in 1968 after having been reduced to a bare minimum working level. Working capital exceeded non-current notes payable by $27,768,725.

Capital Expenditures

During 1968 capital expenditures amounted to over $30,000,000. Expenditures of $8,000,000 were made on the new Bully Camp Mine in Louisiana and other Frasch Sulphur Division facilities. The Gas Division's expenditures of about $2,000,000 were primarily for the expansion of the plant at Whitecourt, Alberta. The Metals Division spent about $3,000,000, and $3,180,000 was loaned to CEDI our Mexican affiliate, for construction of sulphur production facilities at both Nopalapa and Texistepec. The remainder is accounted for by phosphate, potash, trona and higher exploration expenditures. Capital expenditures for 1969 have been budgeted at nearly double the amount spent in 1968.

Financing

On February 1, 1968 the revolving credits were converted to five year term notes in the amount of $80,000,000, of which $10,000,000 is repayable at the end of each of the first two years and $20,000,000 at the end of each of the last three years. Interest was fixed at 5% with respect to $60,000,000 and 5½% on the remainder for the first year. These rates increase ¼% for the last four years of the term. With respect to the 4.7% notes, annual prepayments of $2,750,000 are required commencing in 1970.

In 1968 five-year revolving credit agreements for Euro-dollars were established initially for $1,500,000, which was later increased to $15,000,000 effective January 1, 1969. Under these agreements borrowings may be made on three- or six-month notes at the best rate available at the time from the particular bank involved. A commitment fee of ½% on the unused portion is payable, and the agreements can be cancelled on thirty days notice by the company.

No financing would be necessary at this time with the company's present cash position. But to comply with U.S. regulations governing foreign direct investments, repatriation to the United States will be made of borrowings under these Euro-dollar credits in order to permit the continuation of programs overseas plus new projects contemplated. To effect such compliance for 1968, $500,000 was borrowed late in the year at 8% interest.

The company's strong financial position was further improved during the year. Outstanding non-current notes payable are only 1.1 times cash earnings for 1968.

Taxes

Income tax expense at $28,450,000 for 1968 was up $8,600,000 over 1967. The 10% surtax amounted to $3,050,000 representing $.10 per share. This was an important factor in the increase in the effective tax rate on pre-tax income.

Income taxes include U.S. federal, state and foreign taxes on income. Deferred income taxes represent the tax effect resulting from timing differences between financial-statement pre-tax income and taxable income. Amortization of 7% investment tax credits amounted to $480,000 in 1968.

Consolidated Statement of Income and Retained Earnings

	Year ended December 31 1968	Year ended December 31 1967
Gross Sales	$309,915,204	$253,098,544
Less zinc and lead smelting and refining charges	43,956,915	30,355,548*
	265,958,289	222,742,996
Royalties, Interest and Other Income	7,952,822	3,778,436
	273,911,111	226,521,432
Costs and Expenses		
Operating, delivery and other related costs and expenses, including exploration	157,946,979	127,614,052
Selling, general and administrative	10,390,602	10,120,380
Interest	6,603,697	6,835,279
Income taxes	28,450,000	19,850,000
	203,391,278	164,419,711
Net income for the Year	70,519,833	62,101,721
Retained Earnings January 1	235,039,162	176,967,415
	305,558,995	239,069,136
Deduct cash dividends	10,110,497	4,029,974
Retained Earnings December 31	$295,448,498	$235,039,162
Net Income Per Share**	$ 2.33	$ 2.05
Dividends Per Share**	$.33⅓	$.13⅓
Average Number of Shares Outstanding**	30,323,681	30,223,094

*Included in Costs and Expenses in 1967
**Adjusted to reflect three-for-one stock split at May 6, 1968

See accompanying notes to financial statements

Consolidated Balance Sheet

ASSETS

	December 31 1968	December 31 1967
Current Assets		
Cash	$ 13,781,193	$ 10,642,195
Short-term cash investments, at cost which approximates market	89,450,390	6,999,075
Accounts receivable	51,394,693	39,098,971
Inventories of minerals and products at lower of average cost or market	37,611,055	28,999,394
Materials and supplies at average cost	7,251,330	6,958,632
Total Current Assets	199,488,661	92,698,267
Investments, Advances and Other Assets		
Securities of and advances to unconsolidated subsidiaries and affiliates, less reserve for exploration costs, $3,187,696 in 1968 and $2,012,550 in 1967	8,665,179	7,831,289
Advance payments relating to the Utah potash property less amortization of $416,400 in 1968	13,292,030	13,668,057
Notes receivable, advances and other assets	7,089,936	8,066,613
	29,047,145	29,565,959
Property, Plant and Equipment at cost		
Lands, contract rights and development	132,070,579	127,705,358
Plants, buildings, machinery and equipment	271,474,973	255,186,478
	403,545,552	382,891,836
Less accumulated depreciation and amortization	110,121,864	92,164,935
	293,423,688	290,726,901
Deferred Charges	1,600,243	1,628,530
	$523,559,737	$414,619,657

LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31 1968	December 31 1967
Current Liabilities		
Current portion of term notes	$ 10,000,000	$ —
Accounts payable and accrued liabilities	19,202,515	14,569,840
Income taxes payable	12,303,351	4,600,000
Other taxes payable	1,404,067	1,281,361
Deferred income taxes applicable to inventories	3,310,003	2,535,022
Total Current Liabilities	46,219,936	22,986,223
Non-Current Notes Payable		
Euro-dollar note under revolving credit agreement	500,000	—
Term notes, due 1973 (less current portion)	70,000,000	60,000,000
4.70% notes, due 1989	55,000,000	55,000,000
	125,500,000	115,000,000
Deferred Income Taxes	54,972,784	41,111,867
Stockholders' Equity		
Capital stock, without par value—Authorized 45,000,000 shares; issued 34,560,000	26,175,000	26,175,000
Capital surplus from sale of treasury stock	868,492	497,686
Retained earnings, invested in the business	295,448,498	235,039,162
	322,491,990	261,711,848
Less cost of treasury stock (4,192,983 shares in 1968 and 4,285,488 shares in 1967)	25,624,973	26,190,281
Stockholders' Equity	296,867,017	235,521,567
	$523,559,737	$414,619,657

See accompanying notes to financial statements

Funds Statement

	Year ended December 31 1968	Year ended December 31 1967
Funds were provided from		
Net income	$ 70,520,000	$62,102,000
Charges to income not involving working capital		
Depreciation and amortization	22,184,000	16,070,000
Deferred taxes	13,297,000	13,265,000
Other items—net	3,389,000	1,765,000
	109,390,000	93,202,000
Other accounts—net	1,869,000	1,626,000
Increase in non-current notes payable	20,500,000	—
	131,759,000	94,828,000
Funds were required for		
Dividends	10,110,000	4,030,000
Repayment of revolving credit notes	—	20,000,000
Portion of term notes due within one year transferred to current liabilities	10,000,000	—
Net additions to property, plant and equipment	24,881,000	31,060,000
Additions to investments, advances and deferred charges over amounts liquidated	3,211,000	3,555,000
	48,202,000	58,645,000
Resulting in an increase in working capital of	$ 83,557,000	$36,183,000

Accountants' Report

Peat, Marwick, Mitchell & Co.
CERTIFIED PUBLIC ACCOUNTANTS
SEVENTY PINE STREET, NEW YORK, NEW YORK 10005

To the Stockholders of Texas Gulf Sulphur Company:

We have examined the consolidated balance sheet of Texas Gulf Sulphur Company and consolidated subsidiaries as of December 31, 1968 and the related statement of income and retained earnings and the funds statement for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated income and retained earnings present fairly the financial position of Texas Gulf Sulphur Company and consolidated subsidiaries at December 31, 1968 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Also, in our opinion, the accompanying funds statement for the year ended December 31, 1968 presents fairly the information shown therein.

February 17, 1969

Peat, Marwick, Mitchell & Co.

Notes to Financial Statements

1. The consolidated financial statements include the accounts of the Company and all of its significant wholly owned subsidiaries. The Company's equity in its unconsolidated subsidiaries approximates the amount at which such subsidiaries are carried in the balance sheet. Foreign currency items in the financial statements have been converted at the appropriate rates of exchange.

2. In general, the Company's policy is to depreciate and amortize property, plant, and equipment over the estimated lives of such assets using either the unit-of-production or straight-line method.

3. The Company has deferred to future periods the income tax effect resulting from timing differences between financial-statement pretax income and taxable income. The deferred tax pertains principally to depreciable plant and equipment, development costs incurred on several properties, advance net profits payments related to the Utah potash property, and taxes and royalties included in inventories.

Income taxes for 1968 include current Federal, state and foreign taxes of $14,400,000 and deferred taxes and investment credit of $14,050,000. Tax expense is reduced to the extent that Ecstall Mining Limited receives the benefit of the lower effective rate afforded qualifying Western Hemisphere Trade Corporations.

The Company expects to recover a portion of U.S. Federal income taxes paid for the current year through the utilization of a foreign tax credit carryback. This expected recovery is being amortized to income over the estimated life of the Kidd Creek property with $650,000 having been credited to income taxes in 1968.

Investment tax credits are being deferred (included in deferred taxes) and amortized over the estimated lives of the related assets. Amortization of investment tax credits was $480,000 in 1968. For 1968 realized investment tax credits amounted to approximately $6,800,000 and at December 31, 1968 investment tax credit carryforwards amount to approximately $1,400,000.

During 1968, the Company adopted the practice of including in income taxes all U.S. Federal, state and foreign taxes on income. This resulted in a reclassification of $2,100,000 as income taxes for 1967. Also, deferred taxes of $2,041,000, deducted from property, plant, and equipment in 1967, have been reclassified to deferred income taxes.

4. For certain information regarding term notes payable, reference is made to the first paragraph under "Financing" in the Financial Review section of this report. Agreements relating to these notes and the 4.70% notes contain provisions restricting the payment of cash dividends or the acquisition for value of any shares of the Company's stock. Under the most restrictive provisions of such agreements retained earnings in the approximate amount of $175,000,000 at December 31, 1968 were in excess of such restrictions. Additionally, one of the agreements requires the maintenance of $30,000,000 working capital as defined, which requirement was substantially exceeded at December 31, 1968. The agreements also provide that funded indebtedness, including the guarantee of obligations of others for borrowed money, may not exceed stockholders' equity plus deferred Federal income taxes.

5. Under a stock option plan approved by the stockholders in April 1961, options may be granted to officers and employees of the Company and subsidiaries to purchase up to 750,000 shares of the Company's stock. Options become exercisable, as to 40 percent, eighteen months after date of grant, as to 70 percent, three years after date of grant and as to 100 percent, four years after date of grant. Options granted prior to 1964 (restricted options) expire ten years after date of grant; options granted subsequently (qualified options) expire five years after date of grant.

DURING THE YEAR OPTIONS:		OPTION PRICE PER SHARE
Were Granted as to	93,000 Shares	$43 15/16
Became exercisable as to	113,295 Shares	7 15/16-25 7/8
Were exercised on	92,505 Shares	7 15/16-25 7/8
Were cancelled on	None	

At year end there were 251,790 shares under option 75,990 of which were exercisable at prices ranging from $7 15/16 to $25 7/8 per share, and 152,490 shares were available for grant.

Exercises of stock options accounted for all changes in Capital Surplus and Treasury Stock during 1968 as well as 1967 as follows:

	1968	1967
Capital Surplus		
Balance at beginning of year	$ 497,686	$ 252,472
Excess of proceeds over cost of treasury stock sold	370,806	245,214
Balance at end of year	$ 868,492	$ 497,686
Treasury Stock		
Balance at beginning of year	$26,190,281	$26,982,006
Cost of 92,505 shares sold in 1968 and 129,555 shares sold in 1967	565,308	791,725
	$25,624,973	$26,190,281

6. The Company and its subsidiaries have several pension plans covering substantially all their employees, including employees in foreign countries. The total pension expense for 1968 was $2,630,000. The Company's policy is to fund pension cost accrued, and no unfunded past service cost existed at December 31, 1968. With respect to trusteed plans, the market value of the Plan assets exceeded the actuarially computed value of vested benefits at December 31, 1968.

7. The Company (together with others) is a defendant in approximately 100 lawsuits (some of which allegedly are class actions) claiming, in essence, that news concerning the Company's exploration activities near Timmins was improperly withheld. The plaintiffs seek compensatory and punitive damages. Most of these cases are in the preliminary stages and there are many important unresolved issues of law and fact. If these issues were to be resolved adversely to the Company, recoveries could be in substantial amounts, but the Company has been advised by its counsel that, in their opinion, the Company should be successful in the defense of the claims against it.

The Company is a defendant in a Canadian lawsuit filed in 1966 by the trustee for the Hendrie Estate, which contests the Company's rights with respect to a portion of the Kidd Creek Mine. During 1968, net income from that portion of the Mine represented approximately one-third of the Company's consolidated net income. In the opinion of counsel for the Company, the Company should be successful in the defense of this lawsuit.

In addition, the Company is defending a number of other lawsuits. In the opinion of counsel, the Company will either be successful in defending this additional litigation or will incur no material liability which is not provided for by insurance or otherwise.

Ten Year Financial Review

	1968	1967	1966
Income (in thousands of dollars)			
Gross sales	$309,915	$253,099	$132,718
Less zinc and lead smelting and refining charges†	43,957	30,356	2,381
	265,958	222,743	130,337
Royalties, interest and other income	7,953	3,778	3,338
Operating, delivery and other related costs and expenses, including exploration	157,947	127,614	83,982
Selling, general and administrative expenses	10,391	10,120	9,765
Interest expense	6,603	6,835	4,732
Income taxes	28,450	19,850	7,100
Net income	70,520	62,102	28,096
Financial Position (in thousands of dollars)			
Current assets	199,489	92,698	57,254
Current liabilities	46,220	22,986	23,725
Working capital	153,269	69,712	33,529
Mineral and product inventories	37,611	28,999	18,628
Property, plant and equipment—net	293,424	290,727	275,384
Total assets	523,560	414,620	363,038
Non-current notes payable	125,500	115,000	135,000
Stockholders' equity	296,867	235,522	176,413
Other Data			
Net income per share*	2.33	2.05	.93
Dividends per share*	.33⅓	.13⅓	.13⅓
Number of stockholders	62,001	48,529	49,553
Average number of shares outstanding*	30,323,681	30,223,094	30,126,680

†Included in Costs and Expenses in 1967 and 1966
*Adjusted to reflect three-for-one stock split at May 6, 1968
**Excludes extraordinary income of $1,034,000 or .03¢ per share

1965	1964	1963	1962	1961	1960	1959
$ 98,981	$ 70,370	$ 62,249	$ 58,971	$ 58,949	$ 58,935	$ 63,597
—	—	—	—	—	—	—
98,981	70,370	62,249	58,971	58,949	58,935	63,597
3,301	2,906	1,327	1,881	1,997	2,263	1,271
70,762	52,173	47,625	40,569	39,607	39,129	41,648
7,362	6,043	5,047	4,396	4,006	4,635	5,182
2,597	2,304	—	—	—	—	—
3,400	1,200	1,550	3,750	4,750	4,750	4,700
18,161	11,556	9,354	12,137	12,583	12,684**	13,338
64,500	97,204	64,772	55,826	75,241	82,184	75,969
12,043	10,033	17,797	4,397	6,375	3,543	6,817
52,458	87,171	46,975	51,429	68,866	78,641	69,152
19,738	24,026	27,717	30,315	28,534	26,453	26,850
145,407	92,380	72,732	62,111	41,857	35,019	33,308
240,884	220,643	187,283	141,601	133,875	125,403	123,565
55,000	55,000	—	—	—	—	—
151,987	137,382	129,715	124,512	117,886	115,323	111,625
.60	.38	.31	.40	.42	.42**	.44
.13⅓	.13⅓	.13⅓	.18⅓	.33⅓	.33⅓	.33⅓
47,911	50,821	64,918	71,829	71,997	74,666	74,168
30,055,922	30,037,566	30,047,814	30,060,000	30,060,000	30,060,000	30,060,000

A. Nelson Myers was elected senior vice president in July, 1968. He had been a vice president in charge of sales and manager of marketing during the period of Texas Gulf's greatest growth and diversification. With direct sales responsibility delegated to the operating divisions under the company's decentralization program, Mr. Myers will continue to be responsible for the company's over-all marketing policy. A native of North Carolina and a graduate of Davidson College in 1929, Mr. Myers had marketing experience with several major fertilizer and chemical companies before joining TGS in 1946.

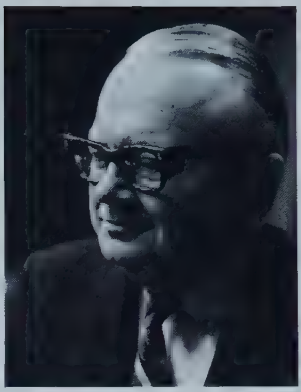
Harold B. Kline has been vice president and general counsel since February, 1964. He joined the company in 1958 and became corporate secretary in 1960 and vice president for administrative affairs in May, 1963. He is a graduate of Missouri University and received his law degree in 1935 from Harvard Law School, where he was an editor of the Harvard Law Review. Before World War II army service he was associated for five years with the New York law firm of Root, Clark, Buckner & Ballantine. He became head counsel of the Federal Reserve Bank of St. Louis and served as counsel with the General Electric Company.

Walter F. Meyer, controller since June, 1962, joined the company in 1957 and became assistant controller in 1960. Mr. Meyer is a native of Queens, New York, and graduated from New York University in 1947 with a B.S. degree in accounting after having served in the Army during World War II. Before joining Texas Gulf, he served for several years with Peat, Marwick, Mitchell & Co. and with the Singer Company.

Gordon N. McKee, Jr., became treasurer of the company in December, 1964, having served as assistant treasurer since 1960. A native of Boston, he received his A.B. degree from Harvard in 1951 and served in the U.S. Navy from 1951 to 1955 as a Lieutenant (j.g.). After being with several firms in Boston, he joined Texas Gulf in 1958.

David M. Crawford, secretary and manager of government and public relations, joined Texas Gulf in January, 1964. He is a graduate of Cornell University and of Yale Law School in 1941. Serving in the Navy from 1940 to 1946, he attained the rank of Lt. Cmdr. (U.S.N.R.). Before joining TGS, he had been an attorney with the New York law firm, Lord, Day & Lord, for the Economic Cooperation Administration, and for ten years was manager of inter-governmental relations and counsel for Mobil Oil Company. From 1961 to 1963 he was secretary and general counsel of Abbott Laboratories.


A. Nelson Myers


Harold B. Kline


Walter F. Meyer


Gordon N. McKee, Jr.


David M. Crawford

Officers and Staff

Claude O. Stephens
Chairman of the Board

Charles F. Fogarty
President

David M. Crawford
Secretary and Manager of Public and Government Relations

H. V. W. Donohoo
Vice President, Potash Division, Moab, Utah

James W. Estep
Vice President and General Manager Gas Division, Calgary, Alberta

Walter Holyk
Vice President and General Manager of Exploration, Toronto, Ontario

Harold B. Kline
Vice President and General Counsel

Guy T. McBride, Jr.
Vice President and General Manager Phosphate Division, Aurora, North Carolina

Gordon N. McKee, Jr.
Treasurer

E. Orys Mason
Vice President, Frasch Sulphur Division, Houston, Texas

Walter F. Meyer
Controller

Richard D. Mollison
Vice President, Metals Division, Toronto, Ontario

A. Nelson Myers
Senior Vice President, Marketing

Administrative	John A. Murray	Office Manager
	Kenneth J. Kutz	Assistant to the President
Corporate Personnel	Gino P. Giusti	Manager
	Thomas G. Downing	Assistant Manager
	William O. Britt	Compensation Manager
	Bernard J. Goodman	Payroll Supervisor
	F. Wayne White	Employee Benefits Manager
Exploration		
Oil, Gas and Sulphur	Frank R. Moulton, Jr.	Assistant General Manager, Houston
	Elgin D. Bell	Regional Manager, Calgary
	Weyman W. Crawford	Regional Manager, Houston
	David L. Henning	Chief Geophysicist, Houston
	John F. Macdougall	Senior Geologist, Calgary
	Maurice Mazurkewich	Senior Staff Geologist, Calgary
	James F. Rucker	Senior Staff Geologist, Houston
Other Minerals	Camon G. Cheriton	Regional Manager, Tucson, Arizona
	David A. Lowrie	Regional Manager, Toronto
	James A. L. White	Regional Manager, Foreign, Toronto
	J. Russell Loudon	District Geologist, Vancouver, British Columbia
	George W. Mannard	Senior Staff Geologist, Toronto
	George Podolsky	Chief Geophysicist, Toronto
Finance	James A. Campbell	Assistant Controller
	John T. Duffy	Assistant Controller
	James J. Finn	Assistant Controller
	Robert P. Hedley	Assistant Treasurer
	John E. Johnson	Assistant Treasurer
	Clayton L. Cooper	Data Processing Manager
	William F. Seamon	Credit Manager
Legal	Joseph C. Brown	Assistant General Counsel, Houston
	John D. Hartigan	Corporate Counsel and Assistant Secretary
	George W. Hugo	Counsel, Houston
	Earl L. Huntington	Tax Counsel and Assistant Secretary
	David L. James	Counsel
	Ted G. White	Counsel, Houston
	Charles W. Wilder	Counsel
Public Relations	William D. Askin	Editor, Golden Triangle Magazine, Houston
	Leo T. Tarpey	Assistant, Public Relations
Research	James R. West	Manager
	Robert J. Boyle	Assistant Manager
	Arthur Gloster	Assistant Manager
	J. Frank Henderson	Assistant Manager
	Jack H. McLellan	Assistant Manager

Unless otherwise indicated location is New York

Marketing

Advertising	Jerry L. Cramer	Manager
Marketing Research	Serge L. Levitsky	Manager
	James A. Orser	Assistant Manager
	Jeanne M. Collins	Senior Market Analyst
Transportation and Distribution	Stephen F. Gilmore	General Manager, Houston
	Wilson R. Atwood	Manager of Rail Equipment, Houston
	William A. Carson	Manager of Cost and Planning, Houston
	William Hansen Jr.	Administrative Assistant
	Lewis Johnson	Manager of Marine Equipment, Houston
	William H. Johnston	Manager of Distribution, Houston
	R. C. Ballard Trigg	Manager of Transportation, Houston
	Robert L. Vordick	Manager of Terminals
	Maurice S. Weber	Manager of Rail/Motor Rates, Houston

Sales

Sulphur and Metals	John W. Hall, Jr.	Manager
Sulphur	Frank J. Claydon, Jr.	Assistant Sales Manager
	H. Newton Cunningham, Jr.	Assistant Sales Manager, Houston
	Walter B. Gillette	Assistant Sales Manager
Metals	Kent D. Hoffman	Assistant Sales Manager
Phosphate and Potash Fertilizer Materials	Bryan W. Guess	Manager
	Charles E. Martin	Assistant Manager
	Robert L. Borg	Midwest Sales Manager, Chicago, Ill.
	Samuel E. Hardwick, Jr.	Northeast Sales Manager, Richmond, Va.
	Jack T. Jones	Southeast Sales Manager, Atlanta, Ga.
	Charles T. Odum, Jr.	Southwest Sales Manager, Houston

Operating Divisions

Armstrong Forest Division	**Johnsonburg, Pennsylvania**	
	Arthur L. Bennett	General Manager
Frasch Sulphur Division	**Newgulf, Texas**	
	Charles F. Drees	General Manager
	Walter B. Preston	Assistant General Manager
	Arnold F. Zemanek	Assistant General Manager
	Douglas C. Anders	Office Manager
	Edward J. Bohuslav	Manager of Maintenance
	R. Lindsey Carter, Jr.	Manager of Purchasing & Warehousing
	Murray O. Clapp	Traffic Manager
	Edward H. Conroy, Jr.	Manager of Quality Control
	Earl W. Hanna	Assistant to the Vice President, Houston
	Wayne Herrington	Manager of Engineering
	Edmond Herschap, Jr.	Manager of Personnel & Industrial Relations
	Glenn L. King	Manager of Field Operations
	Robert L. McDaniel	Manager of Beaumont Terminal, Beaumont, Texas
	Frank A. Nice, Jr.	Manager of Petroleum Production, Houston
	Clyde B. Northcutt	Manager, Beaumont Operations, Beaumont
	Lloyd L. O'Neal, Jr.	Mine Manager, Bully Camp, La.
	Byron N. Soderman	Manager of Power Plants
	Raymond J. Staffa	Administrative Assistant to General Manager
	Ray Ward	Resident Manager, Beaumont
	Clinton P. White	Manager, Public Relations
	Wylie J. Woolsey	Mine Manager, Moss Bluff, Texas
Gas Division	**Calgary, Alberta**	
	Frederick J. Ronicker	Assistant General Manager
	Elmer M. Berlie	Plant Manager, Okotoks, Alberta
	Douglas H. Church	Chief Petroleum Engineer
	Dennis B. Kanten	Traffic Coordinator
	T. Stafford Mosher	Chief Accountant
	Edward W. Plum	Special Projects Engineer
	James J. Rennie	Traffic Superintendent, Whitecourt, Alberta

Metals Division	**Ecstall Mining Limited** **Kidd Creek Mine, Timmins, Ontario**	
	F. Raymond Jones	Vice President and Manager
	P. Ray Clarke	Assistant Manager
	David G. Baskin	Traffic Superintendent
	George C. Coupland	Mine Superintendent, Surface
	Donald F. Grenville	Personnel and Industrial Relations Superintendent
	Stephen Y. Mostowy	Mill Superintendent
	Gerard F. O'Halloran	Maintenance Superintendent
	Alan G. Perry	Engineering Superintendent
	Donald P. Taylor	Chief Accountant
	Toronto, Ontario	
	R. Hugh Clayton	Supervisor of Special Projects
	H. Devon Smith	Manager, Public Relations
	Robert J. C. Tait	Chief Metallurgist
Phosphate Division	**Aurora, North Carolina**	
	David C. Edmiston, Jr.	Assistant General Manager
	Cecil W. Bradley	Traffic Superintendent
	June W. Crawford	Engineering Services Superintendent
	Harvey A. Franz, Jr.	Chief Accountant
	Anderson O. Harwell	Technical Services Superintendent
	Donald D. Marston	Mine Superintendent
	Earl M. Mason	Purchasing Agent
	John S. Myrick	Acid Plants Superintendent
	James R. Paden	Fertilizer Plants Superintendent
	John R. Pyburn	Personnel and Industrial Relations Superintendent
	Thomas J. Wright	Mill Superintendent
Potash Division	**Moab, Utah**	
	Bill L. Bessinger	General Manager
	Robert L. Curfman	Plant Superintendent
	Anthony J. Fratto	Maintenance Superintendent
	Kenneth B. Hutchinson	Mine Superintendent
	Kurt O. Linn	Supervisor of Special Projects, Salt Lake City, Utah
	Frank J. Peternell	Supervisor of Safety
	J. G. Pinkerton	Administrative Manager
	Richard C. Reynolds, Jr.	Supervisor of Personnel and Industrial Relations
	Everett L. Schumaker	Purchasing Agent
	Edward F. Ziolkowski	General Superintendent
	Trona Project, Granger, Wyoming	
	James H. Ogg	Project Manager
Subsidiaries		
Australian Inland Exploration Company	Leo J. Miller	President, Perth, Australia
Ecstall Mining Limited	Charles F. Fogarty	President
	Richard D. Mollison	Executive Vice President, Toronto
Texas Gulf Export Corporation	Michael C. Hughes	Vice President, London, England
Affiliates		
Cia. Exploradora del Istmo, S.A. (C.E.D.I.)	Robert M. Stoy	TGS Chief Technical Adviser to C.E.D.I., Coatzacoalcos, Mexico
Sulphur Export Corporation	Ernest A. Graupner	President
	Herbert R. Miller	Vice President

"Texas Gulf Sulphur is a company dedicated to finding, developing and producing natural resources essential to a higher standard of living for everyone."

Exploration

Metals

Frasch Sulphur

Potash Fertilizers

Phosphate Fertilizers

Recovered Sulphur

Texas Gulf Sulphur Company 200 PARK AVENUE, NEW YORK, N.Y. 10017

Printed in USA

9. FUNDED DEBT

The Company

(a) Five Year Term Notes due February 1st, 1973.

An aggregate amount of $70,000,000 of 5-year term notes was outstanding as at April 1st, 1969, under two Credit Agreements dated as of February 1st, 1966, and June 17th, 1966. $10,000,000 of these notes is repayable on February 1st, 1970, $20,000,000 is repayable on the 1st day of February in each of the years 1971, 1972 and 1973. The interest rate on these notes is 5¼% with respect to $52,500,00 and 5¾% on the remaining $17,500,000. Interest payments on these notes are due on the 1st days of February and August in each year.

The Credit Agreements provide among other things that the Company will not declare or pay any dividends (other than dividends payable in stock of the Company) on any of its stock, or purchase, or redeem or otherwise acquire for value any shares of its stock, or make any other distribution to its stockholders, except in shares of its stock, if, after the payment of any such dividend or after any such distribution, purchase, redemption or other acquisition, the aggregate of all such payments, distributions, purchases, redemptions and other acquisitions subsequent to December 31, 1963, shall exceed the sum of (1) $10,000,000 plus (2) Consolidated Net Income earned subsequent to December 31, 1963, plus (3) the aggregate net proceeds received by the Company from the issue or sale of shares of its stock, or of indebtedness which shall have been converted into shares of its stock, subsequent to December 31, 1963.

The Credit Agreements also provide that the Company will not permit its Consolidated Working Capital, as defined therein, to be less than $30,000,000. The Company's Consolidated Working Capital substantially exceeds this requirement.

(b) 4.70% Notes due April 1st, 1989.

An aggregate amount of $55,000,000 of 4.70% notes was outstanding as at April 1st, 1969, under two Purchase Agreements dated April 15th, 1964, which agreement differ only as to the lender of the principal amount of the loans. Annual principal repayments aggregating $2,750,000 are required to be paid on these notes commencing in 1970. Interest at the rate of 4.70% is payable on the 1st days of April and October in each year until maturity on the principal amount of the notes then outstanding.

The Purchase Agreements provide among other things that the Company will not declare or pay any dividends (other than dividends payable in stock of the Company) on any of its stock, or purchase, or redeem or otherwise acquire for value any shares of its stock, or make any other distribution to its stockholders, except in shares of its stock, if, after the payment of any such dividend or after any such distribution, purchase, redemption or other acquisition, the aggregate of all such payments, distributions, purchases, redemptions and other acquisitions subsequent to December 31, 1963, shall exceed the sum of (1) $10,000,000 plus (2) Consolidated Net Income earned subsequent to December 31, 1963, plus (3) the aggregate net proceeds received by the Company from the issue or sale of shares of its stock, or of indebtedness which shall have been converted into shares of its stock, subsequent to December 31, 1963.

(c) Five-Year Revolving Credit Agreement for Euro-dollars.

Five-year revolving credit agreements for Euro-dollars in an aggregate amount of $15,000,000 have been established by the Company. Under these agreements borrowings may be made on three- or six-month notes at the best rate available at the time from the particular bank involved. The agreements provide that interest on three-month notes is payable on maturity and interest on six-month notes is payable three months from the date of borrowing and at maturity. A commitment fee of ½ of 1% per annum on the unused portion of the commitment is payable quarterly on the 2nd days of January, April, July and October in each year until July 2nd, 1973. The Company may cancel the commitments under these agreements on 30 days notice. Under these agreements an amount of $500,000 was borrowed in June, 1969, at an interest rate of 11⅞% per annum.

Under the most restrictive provisions of the Credit Agreement and Purchase Agreements referred to above retained earnings in the amount of $175,000,000 as at December 31, 1968, were in excess of such restrictions.

Subsidiaries

Texas Gulf Potash Company.

An aggregate amount of $20,000,000 was borrowed by Homestake Potash Company under a Loan Agreement dated September 17th, 1965. This loan bears interest at 5¾% and matures on July 31st, 1986. Repayments of principal are due on the 31st days of January and July as follows: from July 31st, 1970, to July 31st, 1974 — $500,000. From January 31st, 1975, to July 31st, 1985 — $625,000, and from January 31st, 1986, to July 31st, 1986 — $875,000.

This loan is not guaranteed by Texas Gulf Sulphur Company.

Chieftain Mac Gas Ltd.

Chieftain Mac Gas Ltd. has borrowed $250,000 in the form of 6% first mortgage debentures from its two shareholders, TGS Hydrocarbons Limited and Mic Mac Oils (1963) Ltd., which loan matures on September 1, 1975. Repayments of principal are due as follows: September 1, 1969 — $100,000, and $25,000 annually thereafter to and including September 1, 1975.

This loan is not guaranteed by Texas Gulf Sulphur Company.

10. OPTIONS

Under a Stock Option Incentive Plan approved in 1961 options may be granted to officers and employees of the Company and subsidiaries to purchase up to 750,000 shares of the Company's stock. Options become exercisable as to 40% 18 months after date of grant, as to 70% three years after date of

grant, and as to 100% four years after date of grant. The exercise price of each option granted under the plan is 100% of the fair market value of the Company's capital stock on the date the option is granted.

As at April 1, 1969, there were 232,800 shares reserved for issuance upon exercise of options granted by the Company. The foregoing number of shares reserved for issuance includes 12,900 shares with an aggregate exercise price of $102,393.75 the option for which an officer of the Company exercised in February, 1969, just prior to the option's expiration date. Since in one lawsuit a court has directed rescission of such option and an appeal is pending, the Company has advised such officer that such shares will not be issued to him unless the final judgment in such lawsuit permits the Company to do so. In the opinion of outside counsel, all of the options were validly granted. The litigation does not involve any of the unexercised options.

The following table sets out information as at April 1, 1969, with reference to the shares subject to option.

DATE OF GRANT	EXPIRATION DATE	OPTION PRICE PER SHARE*	NUMBER OF SHARES SUBJECT TO OPTION*
October 20, 1966	October 19, 1971	$25\frac{7}{8}$	126,900
July 10, 1968	July 9, 1973	$43\frac{15}{16}$	93,000

*Adjusted to reflect 3 for 1 stock split at May 6, 1968.

There are no underwritings, sales agreements or other contracts or agreements with respect to any unissued shares of the Company.

11. LISTING ON OTHER STOCK EXCHANGES

34,560,000 shares of the Company's capital stock are listed on the New York Stock Exchange.

12. STATUS UNDER SECURITY ACTS

The Company has never made any filings with or obtained registration, approval or qualification relative to its securities with or by the Ontario Securities Commission or any corresponding Government body or authority in Canada. Pursuant to the Securities Exchange Act of 1934 the Company has filed Form 10-K Annual Report each year with the Securities and Exchange Commission, Washington, D.C. The Company has also registered with that Commission under the Securities Act of 1933, 750,000 shares of its capital stock being offered or to be offered from time to time to certain employees under the terms of the Company's Stock Option Incentive Plan.

13. FISCAL YEAR

The fiscal year of the Company ends on December 31st of each year.

14. ANNUAL MEETING

The by-laws of the Company provide that the annual meeting of the shareholders of the Company shall be held at a place determined by the board of directors on the fourth Thursday in April in each and every year. The 1969 annual meeting was held at the Houston Club building, Houston, Texas, on April 24, 1969.

15. REGISTERED AND OTHER OFFICES

The Company's Registered Office is located at 811 Rusk Avenue, Houston, Texas. It also maintains an executive office at 200 Park Avenue, New York, New York 10017.

16. TRANSFER AGENT

The transfer agent of the Company in Canada is Canada Permanent Trust Company, 320 Bay Street, Toronto, Ontario. The Company's share certificates are mutually interchangeable at the principal office in Toronto of the said Canada Permanent Trust Company, 320 Bay Street, Toronto, Ontario, and at the United States transfer office which is Bankers Trust Company, 16 Wall Street, New York, New York 10015, U.S.A.

17. TRANSFER FEE

No fee is charged on the transfer of the capital stock without nominal or par value of the Company other than government stock transfer taxes.

18. REGISTRAR

The registrars of the Company are The Canada Trust Company, 110 Yonge Street, Toronto, Ontario, Canada, and the Chase Manhattan Bank, N.A., 1 Chase Manhattan Plaza, New York, New York 10015, U.S.A.

19. AUDITORS

The auditors of the Company are Messrs. Peat, Marwick, Mitchell and Co., 345 Park Avenue, New York, New York 10022, U.S.A.

20. DIRECTORS AND OFFICERS

The following are the directors and officers of the Company and their principal occupations for the last five years.

DIRECTORS

NAME AND HOME ADDRESS	PRINCIPAL OCCUPATION
WILLIAM S. BEINECKE 20 Prospect Hill Avenue, Summit, N.J. 07901	Chairman of the Board of The Sperry and Hutchison Company since January, 1966, and prior thereto President of that company.
EDWARD K. BRASS 3 Windsor Place, Upper Montclair, N.J. 07043	Financial Adviser to the Company.
HAROLD DECKER 7 Pine Hill Lane, Houston, Texas 77019	Oil Industry Consultant and Investor.
GEORGE S. ECCLES 1525 Penrose Drive, Salt Lake City, Utah 84103	President and General Manager First Security Corporation.
CHARLES F. FOGARTY Holly Lane, Rye, New York 10580	President of the Company since 1968, and prior thereto Executive Vice-President of the Company.
JOHN M. MEYER, JR. Spur Road, Greenwich, Conn. 06830	Chairman of the Board Morgan Guaranty Trust Company since 1969, and prior thereto President of that company.
THOMAS M. PHILLIPS 15 East Broad Oaks Drive, Houston, Texas	Senior Partner, Messrs. Baker, Botts, Shepherd and Coates—Attorneys.
ALLAN SHIVERS 6 Niles Road, Austin, Texas 78703	Chairman of the Board, Austin National Bank.
DONALD B. SMILEY 68 Spruce Lane, Chappaqua, N.Y. 10514	Chairman of the Board and Treasurer R. H. Macy & Co., Inc. since 1968, and prior thereto a Senior Executive of that company.
CLAUDE O. STEPHENS Star Brook Farm, Kitchawan Road Ossining, N.Y. 10562	Chairman of the Board of Directors of the Company since 1968, and prior thereto President of the Company.
LOWELL C. WADMOND 1192 Park Avenue, New York, N.Y. 10028	Member, Messrs. White & Case—Attorneys.

OFFICERS

NAME AND HOME ADDRESS	OFFICE HELD
CLAUDE O. STEPHENS Star Brook Farm, Kitchawan Road Ossining, N.Y. 10562	Chairman of the Board and Chief Executive Officer since 1968, and prior thereto President.
CHARLES F. FOGARTY Holly Lane, Rye, New York 10580	President since 1968, and prior thereto Executive Vice-President.
A. NELSON MYERS 237 Loring Avenue, Pelham, N.Y. 10803	Senior Vice-President Marketing since 1968, and prior thereto Vice-President Sales.
H. V. W. DONOHOO 345 Mi Vida Drive, Moab, Utah 84532	Vice-President Potash Division since 1967, and prior thereto Manager of Exploration, Gulf Coast.
JAMES W. ESTEP 7303 Kananaskis Drive S.W. Calgary, Alberta	Vice-President and General Manager Gas Division since 1967, and prior thereto General Manager Gas Division.
WALTER HOLYK 3 Ennisclare Drive, Oakville, Ontario	Vice-President and General Manager of Exploration since 1967, and prior thereto Manager of Exploration.
HAROLD B. KLINE Apt. 22 - E. 860 United Nations Plaza New York, N.Y. 10017	Vice-President and General Counsel.
E. ORYS MASON Sussex East #405 7510 Hornwood, Houston, Texas 77036	Vice-President Frasch Sulphur Division since 1968, and prior thereto General Manager Frasch Sulphur Division.
GUY T. McBRIDE, JR. Macswoods, Rt. 4, Washington, N.C. 27889	Vice-President and General Manager Phosphate Division.
RICHARD D. MOLLISON Stone's Lane, Oakville, Ontario	Vice-President Metals Division.
GORDON N. McKEE, JR. 110 Stephen Mather Road, Darien, Conn. 06820	Treasurer.
WALTER F. MEYER 32 Spenser Drive, Short Hills, New Jersey 07078	Controller
DAVID M. CRAWFORD James Street, New Vernon, N.J. 07976	Secretary

CERTIFICATE OF OFFICERS

Pursuant to a resolution duly passed by its Board of Directors the applicant company hereby applies for listing of the above mentioned securities on The Toronto Stock Exchange and the undersigned officers thereof hereby certify that to the best of their knowledge the statements and representations made in this application are true and correct.

TEXAS GULF SULPHUR COMPANY

Corporate Seal

By "R. D. MOLLISON",
Vice President

"DAVID M. CRAWFORD",
Secretary

DISTRIBUTION OF CAPITAL STOCK AS OF MAY 15, 1969

Number				Shares
10,810	Holders of	1 — 24	share lots	129,109
21,778	" "	25 — 99	" "	1,135,220
16,358	" "	100 — 199	" "	2,008,716
3,897	" "	200 — 299	" "	845,549
7,310	" "	300 — 399	" "	2,224,832
1,439	" "	400 — 499	" "	628,898
3,765	" "	500 — 999	" "	2,584,220
2,127	" "	1000 — up	" "	20,829,463
67,484	Shareholders		Total shares	30,386,007

excludes treasury shares

TEXAS GULF SULPHUR COMPANY

CONSOLIDATED STATEMENT OF INCOME (Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	1969	1968	1969	1968
GROSS SALES	$87,470,643	$79,645,871	$153,010,690	$144,907,316
Less zinc and lead smelting and refining charges	18,454,509	11,381,705	25,671,907	16,834,661
	69,016,134	68,264,166	127,338,783	128,072,655
ROYALTIES, INTEREST AND OTHER INCOME	2,461,869	1,740,318	5,414,709	3,213,781
	71,478,003	70,004,484	132,753,492	131,286,436
COSTS AND EXPENSES				
Operating, delivery and other related costs and expenses, including exploration	41,972,167	37,735,292	75,477,555	71,198,000
Selling, general and administrative	2,587,814	2,887,494	5,511,877	5,018,676
Interest	1,596,152	1,668,442	3,210,801	3,243,459
Income taxes	7,050,000	8,200,000	14,000,000	15,700,000
	53,206,133	50,491,228	98,200,233	95,160,135
NET INCOME	$18,271,870	$19,513,256	$ 34,553,259	$ 36,126,301
NET INCOME PER SHARE	$0.60	$0.64	$1.14	$1.19
DIVIDENDS PER SHARE	$0.15	$0.10	$0.25	$0.13⅓

CONSOLIDATED BALANCE SHEET

ASSETS	June 30 1969 (Unaudited)	December 31 1968
Cash and short-term investments	$108,187,140	$103,231,583
Accounts receivable	52,916,151	51,394,693
Inventories	49,184,451	44,862,385
Total Current Assets	210,287,742	199,488,661
Property, plant and equipment, net	291,217,675	293,423,688
Other assets, net	37,264,397	30,647,388
	$538,769,814	$523,559,737
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current portion of notes payable	$ 11,500,000	$ 10,000,000
Accounts payable and accrued liabilities	20,739,300	20,606,582
Income taxes payable	7,898,804	12,303,351
Deferred income taxes applicable to inventories	4,100,000	3,310,003
Total Current Liabilities	44,238,104	46,219,936
Notes payable, less current portion	114,000,000	125,500,000
Deferred income taxes	56,620,785	54,972,784
Stockholders' equity	323,910,925	296,867,017
	$538,769,814	$523,559,737

The accompanying statements have been prepared in the ordinary course of business for the purpose of providing information with respect to the interim period ended June 30, 1969, and are subject to adjustments and independent audit at the close of the year.

1. Net income for the three months ended June 30, 1968, has been restated to include only that portion of the 10% Federal income tax surcharge applicable to that period.
2. Income taxes for 1968 have been adjusted to include all U.S. Federal, state and foreign taxes on income.

GORDON N. MCKEE, JR.
Treasurer

July 23, 1969